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# USSR Report

WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 4, April 1983

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18 July 1983

# USSR REPORT

## WORLD ECONOMY AND INTERNATIONAL RELATIONS

No 4, April 1983

Except where indicated otherwise in the table of contents the following is a complete translation of the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations, USSR Academy of Sciences.

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## ENGLISH SUMMARIES OF MAJOR ARTICLES IN MEMO JOURNAL

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian, No 4,  
Apr 83 pp 158-159

[Text] O. Bykov in the article "Revolutionary Theory on the Deliverance of Mankind from War" reveals the dialectical interconnection between war and politics as disclosed by the founders of scientific communism and expressed in the formula that war is a continuation of policy by different means. Hence the Marxist conclusion that wars are not fatally inevitable in the onward development of mankind. The origin of wars being closely associated with the division of society into antagonistic classes and the emergence of relations of exploitation, the abolition of class antagonisms and exploitation will inevitably lead to an eradication of war from the life of human society. The Marxist-Leninist teaching about the possibility of abolishing war as a social phenomenon has been further elaborated in the documents of the CPSU and other communist parties. The proposition on the real possibility of averting a global nuclear war, advanced by the CPSU, was of enormous theoretical importance. It serves as an effective landmark in the fight for peace and the elimination of the threat of thermonuclear holocaust.

At the present stage of the general crisis of capitalism when its economic instability appears to be mounting, when dozens of liberated countries seek for the economic decolonization, the U.S.A. strives to maintain their leadership in the world capitalist economy through expansion of capital.

A.A. Gromyko in the article "The Main Features of the Contemporary Export of Capital from the U.S.A." brings well substantiated analysis to the problem of the changing U.S. position and subsequently the alteration of American foreign economic doctrine which envisages more active use of the external sphere to strengthen international political and military prestige. Export of capital is the main tool to achieve the strategic goal namely to unite all capitalist countries under the aegis of the American monopoly capital. With further sharpening of interimperialist rivalry this strategic task is implemented by the seizure of bridgeheads using the traditional alliance (Great Britain), atlantic collaboration (FRG), temporary economic difficulties (Holland), contradictions of technological advance (Japan).

Export of capital focuses many important problems in North-South relationship. The analyzed evolution of the U.S. relations with the developing countries

testifies to its neocolonial character though in a new, more sophisticated forms. And again the export of capital remains the main neocolonial instrument.

Characterizing the contemporary export of capital from the U.S.A. the author stresses its unprecedented strives to subordinate the world economic development to its selfish monopolistic interests. Undoubtedly this practice has no future.

V. Martynov in the article "Some Actual Tasks of Analysis of Economic Problems of Capitalism in the 80's" determines the main guidelines of research work of the Institute of World Economy and International Relations appreciating highly the contribution of the IMEMO to the examination of various theoretical aspects of the world economic development.

The capitalist world entered the era of acute rivalry, the further aggravation of internal and external economic and political contradictions, the activization of class struggle.

Such global problems as war and peace, the liquidation of the economic backwardness of the developing countries, the interrelation of the human society and nature involving energy, natural resources, environmental problems, acquire specific importance nowadays. The task of the Marxist-Leninist theory is to give scientifically substantiated analysis of these problems, to reveal their character, to determine the ways of their solution. It is also significant to appreciate the real opportunities brought about by the new stage of the scientific and technological revolution along with the investigation of the limits to technical advance within the capitalist framework.

The profound examination of the present-day economic and political trends in the development of the contemporary capitalism should be targetted to feature the new elements of business cycles, inflation, unemployment, monetary discrepancies leading to the aggravation of the capitalist reproduction problems. The actual task is also to reveal the potentialities and margins of the state monopoly regulation, the class essence of its theory and practice, its particulars in different countries. All these directions of research should be closely connected with the task of class struggle.

N. Fedulova in the article "U.S. Policy in the Asian and Pacific Region says that U.S. policy in the noted region is a part of their global strategy, characterized by considerable increase of the role of military power as a means for solving international problems. The total strength of American military forces in the Asian-Pacific region is increasing; the naval forces are being considerably reinforced, a further deployment of U.S. nuclear weapons in the Far East is taking place. Employing the myth of "Soviet threat" Washington keeps on exercising pressure on the Socialist Republic of Vietnam, on pushing the developing countries of Southeast Asia (the ASEAN countries) on the path of stepped up militarization and military cooperation with the imperialist powers. At the same time the U.S.A. maintain contacts with its military allies, notably Japan as well as with South Korea, Australia and New Zealand. New trends, highly dangerous for peace and stability in the region are appearing in the military and political cooperation of America and Japan.

The 26th Congress of the CPSU declared that such states as the Soviet Union, China and Japan border on each other in the Far East. There are also U.S. military bases there. The Soviet Union would be prepared to hold concrete negotiations of confidence-building measures in the Far East with all interested countries. All this evidences the good will of the Soviet Union which shows the real ways for the establishing of lasting peace not only in the Asian-Pacific region but behind of its limits.

At. Leonidov in the article "To the so-called Non-Orthodox Keynesianism" views one of the attempts aimed to renew the bourgeois economic theory. The author emphasises the specific place occupied by the studies of American scholars R. Clower and A. Leijonhufvud in the evolution of the modern highly abstract, or, so to say, "pure" bourgeois economics. Despite their monetary disguise, the concepts of R. Clower and A. Leijonhufvud are actually of Neoclassical character for they are based on the postulate of the rationality of human behavior and sovereign preferences of individuals. The impact of the non-orthodox Keynesian theories on the development of the bourgeois economic thought is stipulated primarily by the fact that they gave the impetus to the analysis of the disequilibrium states under incomplete information. Secondly, these theories initiated the elaboration of the models designated to trace the conditions when economic agents are rationed.

On the whole, the investigations of R. Clower and A. Leijonhufvud, did not provide for the principal elimination of the essential shortcomings of the bourgeois economic theory, did not involve its real renewal because of the formal basis of their analysis. Accordingly, the examination of the non-orthodox Keynesian theories testifies once again to the fact that bourgeois political economy is not apt to solve its principal problems.

I. Bashmakov in the article "Particularities of Large Scale Reproduction in Oil-Exporting Countries" reveals the specific character of the reproduction process in thinly populated oil-exporting countries with "surpluses" of foreign currency income. The author lays emphasis on the role of the public sector as a catalyst of economic development in the noted countries on the way large sums of petrodollars are used. At the same time the points to the contradictions between public ownership of the basic element of national riches--the oil resources--and the distribution of the income from its sale in the interests above all of the ruling classes. The tri-divisions lay-out of large-scale reproduction in Saudi Arabia is applied as a basic instrument of analysis which determines the most important structural economic proportions; it is shown in the article that the correlation of the rate of growth of supply of the produce of the first and second subdivisions is determined here not in the sphere of production but in that of foreign trade. The role of oil incomes in the mechanism of economic development is also revealed in the article. The striving of oil-exporting countries to "press century" by using large sums of petrodollars as a press has brought about a deepening of contradictions expressed in one of the principal disproportions of their development--the disparity between investment programmers and the absorption capability of the economy, expressed in a decrease in the effective use of fixed capital on the one hand and a rapid growth of the price of invested goods on the other. The errors in economic planning in the second

half of the 70's was revealed in a considerable reduction of the disparity between the demand for oil in the world and the size of oil exports needed for financing the economic development plans of the oil exporting countries. Consequently in the 80's the rate of large scale reproduction in the above-mentioned countries will more than before depend on the state of the capitalist oil market but the size of the export of capital will be reduced.

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## MARXIST-LENINIST THEORY OF WAR, PEACE DESCRIBED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
Apr 83 pp 3-17

[Article by O. Bykov: "Revolutionary Theory of Ridding Mankind of Wars"--  
passages between slantlines published in boldface]

[Text] The century-old history of mankind is rich in bloody wars. These carried away millions of lives, caused sorrow and suffering, laid whole countries waste, destroyed production forces, annihilated art treasures, and sowed the seeds of hostility and hatred between the peoples. Some regarded the curse of wars hanging over mankind as a fatal inevitability, others--as an almost heaven sent means of "preventing the peoples from decay." The roots and causes of armed conflicts were sought in the rebellious nature of the individual as well as in the fateful combination of accidental circumstances, the intentions of the powerful of this world and the insidious supernatural forces.

The best and most noble minds always rebelled against war as a monstrous outrage against the very essence of man, who is born to live, create, and be happy. However, their just anger was powerless in the face of the merciless moloch of war. The inexorable course of time brought ever new bloodsheds, one more horrible than the other. The slender hopes to put an end to the insanity of mutual extermination were crushed by violence, death, and destruction.

The realistic prospect of active struggle for the future without wars only opened when the social development made it necessary and possible to create a theory which adequately reflects the laws of historical process and of the revolutionary transformation of the world. The approaching age of transition from capitalism to socialism predetermined the elaboration of a truly innovatory doctrine of the basic transformation of both internal-social and international relations. In order to accomplish this titanic scientific feat, the genius and passionate nature of K. Marx and his followers and the close interaction between the creative theoretical search and the revolutionary activity of the emerging communist movement were required.

It was in the social system free from exploitation that the founders of scientific communism saw the decisive prerequisite not only for eliminating class antagonisms and national inequality but also for completely ridding mankind of wars. More than a century ago the sagacious genius of K. Marx formulated the initial principle of eradicating wars: "...contrary to the old society... a new society is being born whose international principle will be /peace/ because every people will have the same master--/work/!"<sup>1</sup>

K. Marx and F. Engels laid the foundations of the genuinely scientific understanding of war as a social and concrete-historical phenomenon which characterizes all exploiter systems. On the basis of the most profound analysis of the political, economic, and other conditions of historical development they discovered that war is an inevitable product and a constant companion of the class-antagonistic society, whose disappearance will also put an end to wars.

As the revolutionary struggle for social and national liberation increased, the revolutionary theory of ridding mankind of wars also developed. Constantly enriched with new principles corresponding to the changes in the situation, the latter resulting primarily from the changes in the correlation of class forces, it served the communists and the peoples masses led by them as guidance for their active actions against the militarism of the exploiter system, which was becoming obsolete, and against its policy of violence and military plunder.

V.I. Lenin made an invaluable contribution to creatively developing the Marxist teaching on war and the ways of eliminating it from the life of the human society. Proceeding from the methodological tenet that "Marxist dialectics requires a concrete analysis of every particular historical situation"<sup>2</sup> and on the basis of the factual material provided by the wars of the period of imperialism and the new era, which started with the victory of the Great October Socialist Revolution, he created an integral doctrine of war, peace, and Evolution. Developing the Marxist tenet of the sociohistorical nature of wars, V.I. Lenin uncovered the dialectical interconnection between war and economy, politics, ideology, class struggle, the general crisis of capitalism, and the establishment and consolidation of world socialism.

An active peace-loving attitude became an integral component part of the Leninist foreign policy of victorious socialism. The first socialist state in the world challenged the imperialist policy of aggression and war and moved into the vanguard of struggle for the peaceful coexistence between states with different social systems. Having repelled the onslaught of fascism and defeated this most aggressive imperialist force in the course of the greatest of all wars, the Soviet Union did not only accomplish its high mission of liberation--by saving the peoples of Europe and other continents from the impending threat of enslavement--but thus also laid the cornerstone of the foundation of stable peace in the entire world.

The Marxist-Leninist theory of struggle against wars, unleashed by imperialists, became the reliable orientation sign for the fraternal socialist countries, for all the detachments of the revolutionary movement and the democratic and anti-imperialist forces in the most difficult situations. In the contemporary world which is undergoing the most profound changes, including those in the military sphere due to the emergence of basically new means of conducting armed struggle, the task of securing stable peace becomes more and more urgent, vital, and topical.

A new world war, if not prevented, threatens us with unheard of calamities. The use of mass destruction weapons would bring about an enormous number of victims and turn the centers of world production and culture into ruins. At stake here is human civilization and, possibly, the very life on earth.



The problem of war and peace is now one of the main complex problems of historical development and the comprehensive central problems of world politics resulting from the main tendencies of our time. The dimensions of the military threat are unprecedented, but never before have there existed such powerful forces capable of curbing the imperialist instigators of a military blaze. The socialist community, the international workers class, the national-liberation movement, and all the progressive and peace-loving forces are building a barrier on the path of the aggressors. Under these conditions even before socialism completely triumphs on earth and while capitalism continues to exist in parts of the world, there is a real possibility of preventing the outbreak of a new world war with its inevitable catastrophic consequences for all mankind. However the militarist forces are trying to turn back history; the main direction of its development was, is and will continue to be such as is determined by the constructive and creative activity of the new society--the society of peace and work.

## I

Of greatest methodological significance is the uncovering of the real content of war as a /sociopolitical and concrete-historical/ phenomenon, accomplished by the founders of Marxism. Only the understanding of this objective truth can serve as a guideline in the labyrinth of motley and heterogenous events, which at times seem chaotic and which are reflected in the long chronical of wars, very varied in their dimensions and character. The course of history was accompanied by bloodshedding and human suffering. To use K. Marx's expression, social progress became similar to this very "pagan idol which refused to drink nectar otherwise than from the skulls of the dead."<sup>3</sup>

By their revolutionary transformation of the science of human society, K. Marx and F. Engels irrefutably proved that wars are not fatally inevitable in their onward movement. War is not an age-long phenomenon predetermined forever. There were times when people did not know wars, and a time will come when an end will be put to them forever.

The economic system of the preclass society did not generate war. At that time solving conflicts between people in a violent way was caused by the extremely low level of social relations, which were determined by primitive production forces. K. Marx viewed the armed struggle between the primitive tribes not as a phenomenon of a class-antagonistic nature but as a kind of side product of the labor activity of the people and of their collective work aimed at solving the common task of securing the objective conditions of their existence. Armed conflicts often ended up by exterminating individual tribes but not by enslaving them, because at the stage of social life there still were no social forces capable of preparing and waging a war in order to reach their economic and political goals.

At the highest stages of the primitive society the labor community or tribe led a secluded life and everything that opposed them from the outside was regarded as a hostile force which they had to remove to exist. F. Engels wrote: "Everything which was outside the tribe was outlawed. When there



was no proper formal peace treaty between tribes, war reigned among them..."<sup>4</sup>

K. Marx and F. Engels demonstrated that war only became an instrument for solving the antagonistic contradictions of social development by violence when private ownership emerged and society was divided into the exploiter and exploited classes. War as a sociopolitical event emerged in the period when the primitive-communal system decayed and the method of production based on ownership of slaves started to form. The ruling classes and the state, which was subordinate to them, legalized the organized armed struggle for the sake of gaining profit, enslaving the peoples and enhancing their own economic and political domination.

War was transformed into a permanent trade of exploiters, because it was a law-governed consequence of the development of the production forces and production relations characteristic of all the class-antagonistic societies. In his work "Das Kapital", K. Marx revealed the quintessence of this objective process with regard to the capitalist system. He wrote: "The law of appropriation or the law of private ownership, which rests on commodity production and commodity circulation, is transformed by way of its own internal and inevitable dialectics into its direct opposite... at first the right of ownership manifested itself as a right based on personal labor... Now it turns out that, for the capitalist, ownership signifies the right to appropriate somebody else's unpaid labor or his product, whereas for the worker, it signifies the impossibility of appropriating his own labor. The alienation of ownership from labor becomes a necessary consequence of the law, whose starting point was apparently their identity."<sup>5</sup>

Explaining the essence of Marx's analysis, F. Engels noted: "This course of events, historically expressed, is the history of development of the bourgeoisie."<sup>6</sup> In his polemics with E. Duehring, author of the vulgar "theory of violence," he demonstrated that "Das Kapital" exposed the inevitable development of the bourgeois society with all its inherent contradictions out of the capitalist production and the corresponding production relations regardless of the way by which private ownership had been originally established--whether by violence and plunder or by personal labor. "F. Engels emphasized that K. Marx explained the entire process by purely economic reasons, never resorting to references to violence, plunder, state, or any kind of political interference. In other words, it was neither violence nor wars which generated capitalism as well as various other exploiter systems, but it was the capitalist method of production itself and the capitalist production relations just as previously it was the slave-owning and feudal systems which were the source of violence and wars."<sup>7</sup>

The expropriation of the production forces by the capitalists was not limited to the boundaries of one country or one state. According to K. Marx's definition, the development of capitalism signified "the inclusion of all peoples in the network of the world market and, simultaneously with this, the international character of the capitalist regime."<sup>8</sup> The main law of capitalism--the uninterrupted and unlimited accumulation of profit--extended to the entire sphere of its domination on a worldwide scale. Capitalists could not satisfy themselves with the amount of surplus value generated by the proletariat of their own country. Wars became one of the means which enabled the bourgeoisie to quickly become rich by capturing by force new sources of raw materials and markets, plundering foreign countries, securing

easy gains, and creating colonial empires.

War is simply a continuation of politics by other, namely violent, means. Pointing out the profound meaning of this famous statement by K. Clausewitz, a famous German military theoretician, V.I. Lenin wrote: "And this has always been precisely the point of view of Marx and Engels who regarded /each/ war as the /continuation/ of the policy of the given interested states--and their /various classes/--at a given time."<sup>9</sup>

The class policy of the ruling bourgeoisie determined the social nature of wars which it unleashed during the period when capitalism reigned supreme. As a concentrated expression of the capitalist economy the policy of the bourgeois states was marked by the features characteristic of capitalism and left its characteristic mark on the nature of wars waged at that time. In their turn, the predatory wars which continued by violent means the policy of the ruling class exerted a marked reverse influence on this policy, urging forward the development of all the internal laws of the bourgeois society.

However, there was not and could not be any permanency--which the bourgeois ideologists strove to prove and justify--in this vicious cycle of exploitation and violence. Analyzing the dialectical interconnection between the economy, politics, and wars during the era of capitalism, the founders of scientific communism discerned this very contradiction in the depths of that historically doomed society, a contradiction which inevitably predetermined its future collapse accompanied by the collapse of the war-generating policy. In his immortal work "Das Kapital," K. Marx prophetically wrote: "The monopoly of capitalism becomes the bondage of the very method of production which had grown in it and under it. The centralization of the means of production and the socialization of labor reach a point where they become incompatible with their capitalist shell. The shell explodes. The time of capitalist private ownership is past. Expropriators are expropriated."<sup>10</sup>

Having uncovered the socioeconomic roots of war under capitalism and shown at their source lie the relations of private ownership and exploitation, Marxism thereby also substantiated the objective possibility of completely eliminating war as a social phenomenon, a possibility which presents itself when the transition to a new system, free of exploitation and class antagonisms, takes place. The "Manifesto of the communist party" states: "In proportion as the exploitation of one individual by another is put to an end, the exploitation of one nation by another will also be put to an end. "In proportion as the antagonism between classes within the nation vanishes, the hostility of one nation to another will come to an end."<sup>11</sup>

However, the fact that capitalism was approaching its inevitable decline did not signify that its militancy was reduced. The contrary was true. As capitalism moved into its last--imperialist--stage of development which is characterized by the deepening of all its internal contradictions, the

aggressiveness of the bourgeois states was extraordinarily intensified. The rivalry between them for markets, the sources of raw materials, investment spheres, and a work force and in dividing and redividing the world became sharply exacerbated. The stage of imperialism was marked by a wave of destructive wars waged on a greater scale. The world wars, which brought down on the people unparalleled calamities, are a monstrous outcome of this decaying system.

The struggle against the world wars unleashed by the imperialists has assumed the significance of one of the most important tasks of the revolutionary movement. The Great October Socialist Revolution, which had marked the beginning of a new historic epoch, made cardinal changes in international relations and in formulating the problem of war and peace.

The relations between the states of the two opposing social systems became the axis of international life. Class struggle, both in its peaceful and non-peaceful military forms has entered the world arena. As a consistent fighter for peace and as the supporter of all world peace-loving forces, socialism has come to oppose imperialism and with its policy of aggression and war.

The range of the sociopolitical characteristics of different wars was greatly expanded in the radically changed situation. The new historical conditions made it necessary to elaborate new concrete evaluations of the very complex and constantly changing reality on the basis of the only correct and permanent--as far as its methodological value is concerned--foundation, namely Marxism-Leninism. In this context V.I. Lenin's directives--that "...never in history has materialism aspired to explain everything; it only aspires to point out the 'only scientific,' to use the expression of Marx ('Das Kapital'), method of explaining history"--are invaluable.<sup>12</sup>

Raising to a higher level and creatively developing the Marxist doctrine, V.I. Lenin emphasized: "Marx's method consists first of all in taking into account the /objective/ content of the historical process at the given concrete moment and in the given concrete situation and in understanding, first of all, the movement of /which/ class is the mainspring of the possible progress in this concrete situation."<sup>13</sup>

In our nuclear age as well, the Marxist-Leninist methodology serves as an accurate compass to determine the course aimed at eliminating war from the life of human society. This methodology makes it possible to uncover the sociopolitical and concrete-historical content of both the imperialist policy of aggression and war and of the socialist policy of peace and international security as well as of the antagonism between the two directions in world politics which takes place under the conditions of a widening diversity, and increasing dynamism of the entire international life.

Analyzing the problem of war and peace under the contemporary conditions from the Marxist-Leninist positions does not require an examination of the situation, which is taking shape, only from the point of view of the influence which the revolution in military affairs exerts on it. Mass destruction weapons have appeared at the time of deep changes in the entire world, both in the internal development of countries and in their mutual relations in the

international arena. The world revolutionary process is developing. The positions of the socialist community are being strengthened. The struggle for social and national liberation is increasing. The general crisis of capitalism is deepening. To counterbalance the arms race and confrontations the historical competition and the peaceful coexistence of the states of socialist and capitalist systems are expanding. Ever more contradictory combinations of rivalry and partnership are taking shape inside the imperialist world. The antagonism between the industrialized capitalist North and economically developing South is being exacerbated. The activeness of the liberated countries in the international affairs is growing. Antiwar and anti-imperialist movements are gaining strength.

The potential of unprecedented destructive power is also built under the conditions of the development of deep processes in the world economy. On the basis of the scientific-technical revolution the possibilities of an effective international division of labor and mutually advantageous economic cooperation are expanding. At the same time the development of worldwide economic ties is paralyzed by the deepening contradictions and crisis phenomena in the capitalist economy and by the self-interests of monopolies. The necessity of restructuring international economic relations in accordance with the realities of the contemporary world becomes increasingly imperative. Topical are the urgent problems of global dimensions, such as supplying the population with food and industry--with raw materials and energy, protecting the environment, mastering the world oceans and space, and so forth.

Under these conditions the problem of war and peace, regardless of the fact that it has reached an exceptionally complicated stage, is objectively raised in such a way which requires its positive--even if difficult and protracted--solution for the benefit of all mankind. The steadily developing laws of our revolutionary era and the dynamically correlated class forces in the world arena consolidate on a worldwide scale the very sociopolitical foundation which supports socialism and the other peaceloving forces in their struggle for a future without war. The contradiction between the policy conducted "from the position of force" by the aggressive circles of the bourgeois states and their real possibilities is revealed more and more clearly. In whatever way imperialism may bank on violently solving to its own advantage its argument with socialism, it is powerless to recover the historical initiative which it has forfeited and to turn back the development of the contemporary world. The main path of mankind's development is determined by world socialism, the international workers class, and all the revolutionary forces.

The historical perspective of our era reveals the visible features of the peaceful future of mankind. The task assigned by K. Marx to the revolutionary movement can now really be implemented. This was the task "...to strive to establish the simple laws of morality and justice, which must guide the private individuals in their mutual relations, as the highest laws in the relations between peoples."<sup>14</sup>

## II

Viewing war in its concrete-historical context and its socioeconomic and class-political dimensions, Marxism-Leninism ascribes a particular significance to the problem of interconnection between war and the process of the revolutionary transformation of the human society. The complexity of this problem is obvious. Not only the nature of this interconnection but also the real content of each of the two interacting social phenomena are different at different historical stages.

When determining the nature of contemporary wars, K. Marx and F. Engels were invariably guided by a clear objective criterion--by the class interests of the proletariat and all the working people which were conditioned by the specific features of the period of premonopolistic capitalism. Typical of this time were the bourgeois-progressive and national liberation wars which provided an outlet for the peoples' struggle to liberate themselves from foreign oppression and form independent national states. The bourgeois-democratic--in class content--national liberation movement in the countries of Western Europe played a historically progressive role at the time. The destruction of the feudal-absolutist institutions and the liberation and reunification of the oppressed nations were important prerequisites for the successful development of the revolutionary struggle of the proletariat. V.I. Lenin noted: "During the era of the /old/ (bourgeois) democracy Marx and Engels, concerned with developing the liberally-modest movement into a democratically-stormy one, were solving the question about the success of which bourgeoisie was more desirable."<sup>15</sup>

Proceeding from the historical tasks solved by contemporary wars of that period, K. Marx and F. Engels clearly distinguished between defensive and aggressive wars. Unlike the pacifists, who rejected all war as such, they saw a class and political meaning in the concept of "war." They justified just defensive wars, which objectively solved the progressive tasks of liberating the peoples from foreign yokes and of forming national states, and appealed to the workers class to support these wars. They also resolutely condemned the unjust and aggressive wars, which pursued the aims of oppressing the people and preserving outdated reactionary regimes, and held up to shame their instigators.

At the same time, however important the victories of the progressive forces were over the reactionary ones during that period, K. Marx and F. Engels far from regarded them as the final aims of struggle. Glancing into the future, the founders of scientific communism saw the revolutionary transformation of the world in its historical perspective and, proceeding from this, put forward the task of activating in every possible measure all the progressive movements in order to achieve social and national liberation and build a society free from oppression and wars. V.I. Lenin wrote: "Marx and Engels went /ahead/ of /their/ epoch, the epoch of bourgeois-national progressive movements, pushing /these/ movements forward in their concern to make them develop 'over the heads' of the representatives of the Middle Ages."<sup>16</sup>

The premonopolistic period of bourgeois domination was characterized not only by liberation wars against feudalism and foreign domination, but also by

aggressive colonial wars to appropriate foreign lands and enslave other peoples. K. Marx and F. Engels held these reactionary wars up to shame as unjust to the highest degree. The colonial plunder of the bourgeoisie kindled the craving for profit and generated chauvinism, which poisoned the awareness of a substantial part of the population in the metropolises. This strengthened the positions of the ruling class and served as a means of not only of economic and political but also of spiritual oppression of the working people. "The people who enslave other people forge their own chains."<sup>17</sup> These indignant words continue to be poignantly topical nowadays as well, when the monopolistic bourgeoisie is striving to whip up chauvinistic feelings and involve the peoples of their countries in foreign military adventures, similar to the aggressive war waged by U.S. imperialism in Vietnam, with the aim of enhancing its domination, and consolidating the system of exploitation and oppression "at home."

The leaders of the proletariat saw an inseparable and organic link between the struggle to eliminate exploitation and the struggle against the aggressive foreign policy of the bourgeoisie and the spreading of hostility and hatred. K. Marx emphasized: "If the liberation of the workers class requires fraternal cooperation of workers, how then can they perform this enormous task faced with the foreign policy which, while pursuing criminal aims, utilizes national prejudices and in its predatory wars spills the blood and squanders the wealth of the people?"<sup>18</sup>

Approaching the evaluation of the nature of contemporary wars from firm class positions, K. Marx and F. Engels pointed out the armed struggle of the Paris Commune as a basically new phenomenon. It differed sharply from all the military conflicts in which the exploiter classes clashed with each other. The revolutionary struggle of the French workers against foreign aggressors and internal reactionaries was of a consistently progressive and indisputably just nature, because it was directed at overthrowing class exploitation and those economic foundations on which class antagonism is based.

Emphasizing the objective inevitability--conditioned by the entire course of history--of exchanging the capitalist system for the socialist one, Marx pointed out the revolutionary role of violence as a means of contributing to the practical implementation of this task.

In this context he noted that expropriating expropriators is not only a historically necessary but also a relatively simple and fast process in comparison with the difficult, protracted, and painful process of establishing capitalism. In this connection, K. Marx wrote in "Das Kapital": "Transforming the scattered private ownership of separate individuals, which is based on their own labor, into capitalist ownership is of course a much longer, harder and, more difficult process than that of transforming capitalist private ownership, which is in fact already based on the public process of production, into public ownership. The former was the case of expropriating the people's mass by a few usurpers, whereas in the latter case the people's mass has to expropriate a few usurpers."<sup>19</sup>

The fact that Marxism acknowledges the role of violence during the transition from the old social system to the new one does not in any way signify that it



identifies revolution with war. Contrary to the affirmations of the bourgeois ideologists and social-reformists, the socialist society which comes into being does not need war to emerge and develop. The victorious proletariat and the working masses do not take up arms through their own wish. They are forced to do this by the exploiters. They rise in arms against the oppressors only when the peaceful means of abolishing exploitation turn out to be insufficient or if efforts are made to strangle the revolution. Then the just war of liberation assumes the character of a retaliatory action of the revolutionary forces against the violence on the part of the reactionary classes.

As a promoter of social progress, the proletariat strives to use first of all the peaceful means of changing the social system in a revolutionary way. Even in 1871 when speaking in the name of the workers class, K. Marx addressed the following words to bourgeois governments: "... We will act against you in a peaceful way wherever it proves possible for us and with the help of weapons whenever it becomes necessary."<sup>20</sup>

However, the historical experience demonstrates that the bourgeoisie does not voluntarily give up either its class privileges or its political hegemony. It bitterly resists the revolution, and then a hard necessity arises to defend the revolution by military means and to arm the workers class and the people's masses to rebuff the internal and external reaction.

From the tragic lesson of the Paris Commune K. Marx and F. Engels drew a conclusion that the first precept of every victorious revolution is to do everything possible to defend itself and its gains. For this purpose it is necessary to disband the old army, which served the interests of the exploiters, and for the proletariat to create a military organization of a new type charged with the task of protecting the new society from the external and internal class enemies.

V.I. Lenin, the great continuator of the cause of Marx and Engels, profoundly investigated the dialectical connection between war and revolution as applied to the stage of imperialism. The world wars unleashed by monopolistic capitalism and the development of class struggle into a socialist revolution became characteristic features of this stage.

World War I was in every respect the extension of imperialist policy; it was waged in the class interests of the bourgeoisie and as such was quite distinctly counterrevolutionary in orientation. V.I. Lenin considered the struggle against the imperialist war to be one of the most important tasks of the international workers movement. In the situation characterized by pseudopatriotic and militarist hysteria, which had encompassed all the belligerent countries at the start of the war, Marxist-Leninists bravely came out against the imperialist slaughter.

At the same time in his relentless polemics with the bourgeois pacifists and social-democratic dogmatists, V.I. Lenin pointed out the only correct way of fighting against the war, namely an upsurge of the revolutionary movement and the victory of the socialist revolution. He instructed the proletariat to utilize the existing situation of the brutal war waged on an unprecedented scale in order to shake loose the foundations of monopolistic capital, which

was the instigator of this gigantic bloody crime and bring about its overthrow. Hence Lenin's appeal for: "Transforming the present imperialist war into a civil war... since war has become a fact."<sup>21</sup>

Yet while developing the Marxist theory under new conditions V.I. Lenin constantly emphasized that there is no simple connection between war and revolution. Each one of these social phenomena has its own sources and causes and their close intertwining far from signifies that they are inseparable. The socialist revolution is a result of a deep socioeconomic and political process which can also happen without the military context. In the Marxist-Leninist definition, the coincidence of the socialist revolution and the imperialist war represents a way of accomplishing the transition from the old system to the new one which is connected with exceptionally great hardships and misfortunes for the people's masses. This way is not chosen by the proletariat but results from imperialist policy. V.I. Lenin wrote: "Birth can be easy and can be difficult." Marx and Engels, the founders of scientific socialism always spoke of the /protracted pains of birth/ which are inevitably connected with the transition from capitalism to socialism.

"And Engels, while analyzing the consequence of a world war, simply and clearly describes the indisputable and obvious fact that a revolution which comes after the war is connected with the war (and what is more--let us add ourselves--a revolution which has blazed up during a war and is forced to grow and hold out at the time when it is surrounded by a world war), that such a revolution is a /particularly difficult/ case of birth."<sup>22</sup>

The victory of the Great October Socialist Revolution marked a turning point in the struggle against wars. The Leninist principles of "ridding mankind of the horrors of war and its consequences," stated in the Decree on Peace, were accompanied by expressing the determination to "successfully carry out to its end the cause of peace and at the same time the cause of liberating the working and exploited masses of the population from every kind of slavery and every kind of exploitation."<sup>23</sup> Naturally, attaining these highest goals entailed incredible difficulties. From the very start of its existence the young Soviet authority was forced to repel the onslaught of hostile internal and external forces. Defending revolutionary gains in a just war became the sacred duty of the victorious workers class and the working masses, a duty not only to their socialist fatherland but also to all progressive mankind.

Extraordinarily exerting its forces and supported by the international workers movement, not only did the first socialist state in the world survive, but it also became a powerful stronghold of peace and social progress, having gone through the periods of severe trials during the civil war, foreign intervention, the hostile capitalist encirclement, and the Great Fatherland War. The superiority of the Soviet social and state system and the moral-political unity and friendship between the peoples of the USSR were manifested during the clash with the most reactionary and militant forces of imperialism. The following prophetic words by K. Marx held true: "War subjects the nation to a test... Just as mummies immediately turn to dust when exposed to air, so war pronounces its final judgment on the social institutions which have lost their viability."<sup>24</sup>



However, socialism has manifested its invincible viability not only in wars which the imperialists have foisted upon it. The new society has manifested itself as a genuine embodiment of Marxist-Leninist ideas, which in practice carries out the creative development of the production forces and just social relations and which exerts a powerful positive influence on the world revolutionary process. Its appeal lies first of all in its incontestible capability to solve constructively socioeconomic and political tasks in the interests of the whole society.

Only the enemies of socialism can stupidly and stubbornly talk again and again about the revolution being somehow "exported" and about the socialist countries encroaching by force upon the order established in the capitalist world. Elaborating the idea of the founders of Marxism that the victorious proletariat cannot foist its happiness upon any other people without thereby undermining its own victory, V.I. Lenin unequivocally stated: "...communism is not established by violence." He emphasized that revolutions are not made to order; they ripen in the course of historical developments and are conditioned on a combination of a whole number of internal and external causes. Rejecting the possibility of waging war in order to implant the revolution from the outside, V.I. Lenin noted: "...Every kind of peace will open a hundred-times greater and wider road for our influence."<sup>25</sup>

So it was at the dawn of the socialist society. So it is that the interaction of war and the revolutionary process is also taking shape nowadays when socialism has become a powerful world system. History works for socialism. To strengthen its position and expand its influence, the advanced system does not require violence and military confrontation, which in our nuclear age could lead to a worldwide catastrophe. The Soviet Union and the other countries of the socialist community are pitting against the militarist and reactionary policy of imperialism a consistent policy of preventing world war and consolidating international security, and in this policy the active humanism of the new society is combined with its invariable striving for the revolutionary transformation of the world. This policy meets with a broad support on the part of the progressive social forces of our planet.

### III

In our times the basic Marxist-Leninist understanding of war in all its interconnections and the evaluation of the prospects of eradicating this phenomenon to a great extent acquires a new content. The vital necessity of solving the task which genuinely concerns all mankind--/to prevent a world nuclear war/--has become of prime importance in the present day social development.

Never before in the entire course of history has a problem emerged similar to the one which now faces mankind. The unique character of the existing situation is in the fact that material resources of such gigantic destructive power are placed at the service of the aggressive imperialist policy, that their use would bring about catastrophic consequences of truly global dimensions. In fact what is involved is the survival of mankind.

Formulating the law of social development discovered by K. Marx, F. Engels in his time emphasized the "simple fact that people must first of all eat, drink, have somewhere to live, and something to put on before they are capable of engaging themselves in politics, science, art, religion, and so forth."

Nowadays this truth is supplemented by yet another one: to eat, drink, have somewhere to live, something to put on and engage in any kind of activity, people must first of all secure the preservation and continuation of the human race on earth.

The theoretical elaboration of the problem of preventing a new world war started immediately after the end of World War II. It creatively developed further the Marxist-Leninist premise that world wars emerge as a continuation of imperialist policy. As opposed to the stage at which imperialism had complete domination, a situation in which world wars ceased to be fatally inevitable began taking shape under new historical conditions.

Of great theoretical and ideopolitical significance was the thesis of the realistic possibility of preventing a world nuclear war as put forward by the CPSU. On the basis of Marxist-Leninist doctrine and the deep analysis of the concrete tendencies of world developments, the Communist Party of the Soviet Union arrived at the conclusion that it is possible to prevent a world war from being unleashed on condition that world socialism, the international workers' movement, and all the revolutionary and peace-loving forces resolutely resist the aggressive imperialist policy.

The new principles put forward by the CPSU with regard to the basic question of our time opened up broad prospects of struggle for mutually connected goals--the elimination of the threat of war, the peaceful coexistence of the states of different social systems, and social and national liberation. They are ardently supported by the Marxist-Leninist parties in the entire world. The struggle against the danger of a world nuclear war became the main link in the united actions of the anti-imperialist forces.

The all-conquering vital force of Marxism-Leninism is reflected not only in the fact that the only correct solution for the cardinal problem of war and peace has been found in the world, which incessantly becomes more complicated, but also in the fact that the real ways and concrete forms of struggle to eliminate the danger of a world nuclear catastrophe have been pointed out. What is more the fraternal socialist countries and the communists stepped into the front ranks of the fighters for peace and inspired the people's masses for active actions against the imperialist instigators of war. As in the other spheres of revolutionary activity so in the sphere of struggle to prevent a destructive war did theory merge with practice.

The Marxist-Leninist doctrine of ridding mankind of wars made it possible to determine, on the basis of comprehensively taking into account the contemporary correlation and the dynamics of development of the world forces, the main direction of the coordinated international activity of the states of the socialist community, which is called upon to implement the set goal in practice. The starting point of this activity was the objective necessity to strengthen in every possible measure the defense potential of the fraternal countries in the face of the growing aggressive military might of imperialism. This required consolidating in every possible measure and on the basis of proletarian internationalism the unity and cohesion of the socialist states in defending revolutionary gains. Under new conditions the following appeal by K. Marx addressed to the contemporary revolutionary movement is embodied in the combat alliance of the Warsaw Pact countries: "...to achieve that the workers of different countries not only /feel/ but also /act/ as brothers and comrades

fighting for their liberation as a united army."<sup>26</sup>

Employing violent means in an attempt to turn back social development, U.S. imperialism banks on the qualitatively new means of the armed struggle. The fact that nuclear weapons appeared in the U.S. arsenal and that the United States had a monopoly on them in the first post-war years sharply enhanced the military-force tendencies in the foreign policy of the U.S. ruling circles. The most militant U.S. and NATO politicians and strategists directly called for an attack against the Soviet Union in order to destroy socialism with the help of the "absolute weapon."

However, these aggressive plans were not to be carried out. The very deep changes in the sociopolitical shape of the postwar world expressed the main content of our era--the correlation of forces being changed to the advantage of socialism. Under these conditions, to utilize to the maximum the socioeconomic, political, ideological, and other nonmilitary advantages of real socialism for the cause of peace and social progress becomes the most important objective prerequisite for reducing and subsequently eliminating the danger of an outbreak of a world nuclear war. At the same time strengthening the defense potential of the USSR and other socialist countries and building up their military might to the level as high as that of the enemy became of paramount and primary importance for the purpose of curbing aggressive forces.

The developed economic base, the latest achievements of the scientific-technical revolution, and the selfless work of its scientists and workers--all of this allowed the Soviet Union to build in the shortest possible time its own nuclear-missile weaponry. Liquidating the U.S. nuclear monopoly and its strategic invulnerability was a powerful means of paralyzing the aggressive forces of imperialism.

The fact that the USSR and its allies have substantially strengthened their defense potential was an impressive contribution to the general growth in the might of socialism, which is a decisive factor in preventing a general military conflict. This is an enormous and truly historic service rendered by socialism to mankind. Socialism succeeded in realizing its advantages as an advanced social system and neutralizing the challenge presented by imperialism in the military-technical sphere, thus putting the breaks on mankind's sliding down the precipice of mass annihilation. Achieving the equilibrium of military forces between the world of socialism and the world of capitalism and in particular the strategic parity between the USSR and the United States laid a realistic foundation for curbing the arms race and moving toward disarmament. Only when the new strategic situation and correlation of forces were established in the world arena and under the conditions of the normalized international political climate did the possibilities open up for preventing a world military conflagration.

However, as Marxism instructs us, the objective possibilities alone are not enough. Resolute and purposeful actions by social forces are required to utilize these possibilities. At present these forces are in existence. Their ranks are now wider than there were at the previous stages of the struggle for peace when its main burden was carried on the shoulders of the peoples of

socialist countries and the various detachments of the revolutionary movement.

At present the very broad masses of people are joining the struggle to prevent a world nuclear war. This is natural. The workers class and the working people of the capitalist and developing countries are vitally interested in achieving their social and national liberation without a destructive war. Practice shows that the easing of tension and development of the relations of peaceful coexistence between the states of opposing social systems are quite compatible with the deep sociopolitical changes taking place in the contemporary world. Peace is the most favorable condition for the revolutionary renewal of the entire human society.

The death of hundreds of millions of people and a vast destruction in all countries is too high a price to pay for overthrowing capitalism, which is already doomed by history. The unprecedented dimensions of the destruction of production forces and the undermining of the very conditions necessary for human existence on vast territories resulting from the use of mass destruction weapons would greatly damage the entire social progress. Far from accelerating the movement of mankind toward the triumph of socialism and communism, a world nuclear war would slow it down, provided that civilization and the very life on our planet survive the flames of a worldwide conflagration.

The mortal danger hanging over the world substantially broadens the platform on which the cooperation between the most diverse--as far as their social composition is concerned--peace-loving forces becomes possible, and these forces include the numerous so-called "silent majority" of the population. In the approach to the basic problem of preventing a world nuclear war, the class interests of socialism and other progressive forces coincide with the general democratic interests and in fact with the interests of the vast majority of mankind. As V.I. Lenin said, "the greatest manifestation of democracy is in relation to the main question of war and peace."

Harsh reality requires that absolute priority be given in the policy of all states, all governments and parties to guaranteeing the fundamental right of man--the right to life. Their position as regards this central problem of our time is the main criterion of whether their policy corresponds to the imperatives of contemporary world development.

In the face of the growing antiwar movement, the leaders in the United States and other NATO countries are trying to create the impression that they are also concerned about maintaining general peace and are building up their military preparations only in order to prevent the outbreak of war. Under new conditions they continue to speculate according to the old tenet: "If you want peace, be prepared for war." In his recent speech President Reagan claimed: "Readiness for war is the most effective means of preserving peace." In his time, K. Marx stigmatized this kind of speculation as a hypocritical coverup for preparing wars "which in their unbridled barbarity belong to the era when brigand knights flourished, but in their refined perfidy still exclusively belong to the most recent period of the imperialist bourgeoisie." Unmasking the true meaning of the tenet which states: "If you want peace, be prepared for war,"--K. Marx noted that "this great truth contains a great lie... When such

is the state of affairs, it is not surprising that the general inclination to barbarity becomes a method, immorality is elevated to a system, lawlessness finds its lawmakers and the right of fist--its codices."<sup>27</sup>

At present under the cover of demagogic arguments about the necessity to maintain peace, the aggressiveness of the policy pursued by the imperialist powers, and first of all the United States, is intensified. They exacerbate international tension, whip up the arms race, and kindle military conflicts by no means in order to stabilize the international situation. Their militarist course is aimed at securing the "position of force" on whose basis they intend to try and turn back the course of history for their own egotistical interests.

Holding in check the onslaught of the aggressive forces in this troubled situation, the CPSU Central Committee and the Soviet State are demonstrating their true Leninist self-restraint, steadfastness and principled attitude and refuse to be moved from the main road of the struggle for peace and international cooperation, for freedom and independence of peoples. At a time of an abrupt turn in international affairs, the class foreign policy of the Soviet Union is once again convincingly demonstrating that it is expressing the innermost aspirations of the peoples of all countries. It also fully reflects the organic peace-loving attitude of the advanced social system and the objective need for preserving peace as the foremost necessary condition for normal international development and for the very existence of present and future generations.

In our period, it is dangerous madness to try to defeat one another in the arms race and count on victory in a nuclear war. All of mankind will benefit from the elimination of the danger of war which already hangs over the world.

Guided by the highest historical responsibility and a deep concern for the fate of the world, the Soviet Union is steadfastly implementing the general foreign political line of preserving peace, continuing and deepening the relaxation of tension, and curbing the arms race, the foreign political line outlined by the 24th, 25th, and 26th CPSU Congresses, and is making constructive proposals designed to ensure the attainment of these noble goals. Faced with the aggressive policy of the imperialist circles, the USSR and its allies provide a realistic alternative to slipping into a nuclear catastrophe.

The Soviet Program of Peace for the Eighties, adopted by the 26th CPSU Congress, emphasizes: "At present, there is no more important task on the international scene for our party, our people, and all peoples of the earth than defending peace."

The bellicose circles of imperialism are promoting an atmosphere of antagonism. But they are acting in defiance of the main tendency of contemporary world development. No one can cancel out the objective prerequisites for the constructive development of international affairs if all the mighty forces of peace are drawn into the movement. "We believe," Yu.V. Andropov, general secretary of the CPSU Central Committee, has said, "that the difficulties and the tension that characterize the present international situation can and must

be overcome. Mankind cannot continue indefinitely to reconcile itself to the arms race and wars if it does not want to put its future at stake."

History has arrived at a fateful crossroads. One of the roads leads to an all-destructive war and the other to stable peace. The only wise choice has been made by those social forces whose activity and actions are implementing the immortal teaching of Marxism-Leninism, the revolutionary theory of elimination of wars. Their selfless struggle serves as a powerful catalyst for the irresistible process that is paving the road to the bright peaceful future of mankind.

#### FOOTNOTES

1. K. Marx and F. Engels, "Works", Vol 17, p 5.
2. V.I. Lenin, "Complete Works", Vol 30 p 13.
3. K. Marx and F. Engels, "Works", Vol 9, p 230.
4. Ibid., Vol 21, p 99.
5. Ibid., Vol 23, pp 596-597.
6. Ibid., Vol 20, p 167.
7. Ibid., pp 166-167.
8. Ibid., Vol 23, p 772.
9. V.I. Lenin, "Complete Works", Vol 26, p 224.
10. K. Marx and F. Engels, "Works", Vol 23, pp 772-773.
11. Ibid., Vol 4, p 445.
12. V.I. Lenin, "Complete Works", Vol 1, p 144.
13. Ibid., Vol 26, pp 139-140.
14. K. Marx and F. Engels, "Works", Vol 16 p 11.
15. V.I. Lenin, "Complete Works", Vol 26, p 139.
16. Ibid.
17. K. Marx and F. Engels, "Works", Vol 16, p 438.
18. Ibid., p 11.
19. Ibid., Vol 23, p 773.

20. K. Marx and F. Engels, "Works", Vol 17, p 649.
21. V.I. Lenin, "Complete Works", Vol 26, p 22.
22. Ibid., Vol 36, p 476.
23. Ibid., Vol 35, p 16.
24. K. Marx and F. Engels, "Works", Vol 11, p 551.
25. V.I. Lenin, "Complete Works", Vol 40, p 247.
26. K. Marx and F. Engels, "Works", Vol 16, p 195.
27. Ibid., Vol 13, p 464.

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otnosheniya". 1983.

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## GROMYKO ON 'OFFENSIVE' U.S. INVESTMENT IN WESTERN STATES, THIRD WORLD

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 83  
pp 18-39

[Article by A.A. Gromyko: "Basic Features of the Export of U.S. Capital Under Current Conditions"]

[Text] At the current stage of the general crisis of capitalism, when capitalism's increased economic instability has become distinct, the spasmodic nature of the imperialist states' development has intensified and dozens of young Asian, African and Latin American states have emerged in the arena of political life which have made the realization of decolonization in the economic sphere the cornerstone of their domestic and international activity, the United States has come to attach special significance to securing its leadership in the capitalist world with the aid of increased capital expansion.

K. Marx pronounced in "Das Kapital" that, given sufficient profit, "capital becomes bold" and proportionate to the increase therein, "consents to any use," "becomes animated," is "absolutely ready to rack its brains," "flouts all human laws," and, finally, "there is no crime on which it would not venture, even on pain of the gallows."\* The export of capital, which is providing the U.S. monopolies with gigantic profits, removes, it seems, all moral and other barriers (including those erected by the bourgeoisie itself) and all standards of international intercourse if they impede the acquisition of such gain and enrichment at the expense of the peoples of other countries.

As before, U.S. capital is employing all available means, military included, for the sake of securing profitable spheres and conditions of operations. So it was in Indochina, where the American military provoked a prolonged and bloody war. So it is in Central America, where direct interference in El Salvador's internal affairs continues and the infringements of Nicaragua's sovereignty are incessant. The tense situation created by the Israeli aggressors with the direct connivance of U.S. ruling circles continues in the Near East. Nor is there tranquillity in certain other parts of the world. There also one may frequently observe without any particular difficulty the endeavor of U.S.

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\* See K. Marx and F. Engels, "Works," Vol 23, p 770.



imperialism to secure stable economic, political and military positions for the sake of obtaining huge profits, at the expense of its rivals included.

As the CPSU Central Committee report to the 26th party congress observed, "neither the integration processes nor the class interest of the imperialists in a unification of efforts for combating world socialism have removed the contradictions between imperialist states. The main centers of imperialist states. The main centers of imperialist rivalry had been distinctly determined by the start of the 1970's: they are the United States, West Europe... and Japan. Economic and political competitive struggle is developing among them increasingly keenly. The restrictions imposed by official U.S. authorities on imports of an increasingly large number of commodities from Europe and Japan and the European countries' attempts to limit their exploitation by American capital--these are just some of the manifestations of this struggle."

The change in the positions of American imperialism in the economic rivalry with West Europe and Japan and its loss of complete hegemony in the sphere of international trade and other economic spheres are leading to the increased aggressive nature of the export of U.S. capital. This is being manifested in the flagrant breach of the fundamental rules of international intercourse, the flouting of the elementary principles of equality and the undermining of the foundations of the national sovereignty, freedom and independence of the peoples.

The export of capital performs a significant role in U.S. imperialism's international policy. This sphere of its foreign economic activity is characterized by a high degree of monopolization. It is sufficient to say that at the start of the 1970's more than 70 percent of all capital investments belonged to 187 corporations. In the same period American companies with assets of over \$250 million each (they constituted less than 0.07 percent of companies in the country) accounted for almost 84 percent of total profits from overseas transactions.

Among the factors exerting a determining influence on the accelerated export of capital abroad we may distinguish the further growth of the concentration and centralization of production and capital in the United States, the increased impact of scientific-technical progress, the exacerbation of the interimperialist struggle for sales markets, sources of raw material and spheres of the investment of capital.

As before, the United States remains the main capitalist power, preserves its leadership in the most important sectors of the economy (particularly the science-intensive sectors), has the highest level of labor productivity and is the biggest exporter of capital. At the same time, however, the West European countries and Japan are overtaking the United States in the growth rate both of fixed capital and capital investments in the economy and GNP and also of industrial production. Business circles have been concerned at the sharp decline in the labor productivity growth rate in recent years. External positions have been appreciably undermined also.

The United States' assertiveness in the struggle for the economic division of the world "according to capital and strength" reflecting the ruling circles'

endeavor to restore to themselves the positions being lost in the sphere of world economic relations increased in the 1970's.

All these factors are intensifying the competitive struggle between the United States and the other power centers--West Europe and Japan--and leading to the eruptions of "trade wars" and the imposition and tightening of protectionist measures. However, whereas West Europe and Japan are considerably ahead of the United States in terms of their involvement in world trade turnover, they "lose" in terms of the scale of their overseas production based on exported capital. In the mid-1970's the relation of the value of the output of foreign daughter enterprises of the United States to the country's GNP constituted 30.3 percent, for the West European countries this indicator was 24.8 percent and for Japan 11.5 percent.\*

It is interesting to compare the ratio of overseas production and national commodity exports: for the United States it changed from 2.7:1 in 1960 to 5.3:1 in 1979, for the West European countries from 0.7:1 to 1.3:1 and for Japan from 0.1:1 to 1.4:1. These data show the degree of actual presence of sums of capital of the three centers of imperialism on overseas markets.

As a whole, the 1970's made appreciable amendments to the alignment of forces among the main centers of present-day capitalism. It is essential to note a specific feature of the first half of the 1970's: whereas as a result of the accelerated development of West Europe and Japan a certain superseding of the United States in the monopoly positions in a number of sectors of the capitalist economy was observed, the latter half of the decade was characterized by a certain stabilization of the position of the United States and a slowing of the growth rate of the economy of West Europe and Japan. Following the increase in the number of participants in the Common Market, the United States is opposed by a broader economic grouping which approaches the United States in terms of the volume of GNP and is considerably superior to it in terms of relative significance in world capitalist trade, the production of a number of commodities (steel, automobiles) and also the growth rate of industrial production as a whole.

A serious blow to the United States was the crisis of capitalist currency-finance relations, as a result of which the Bretton Woods system, which reserved for the dollar the role of the capitalist states' key currency, collapsed. Nonetheless, the dollar remains the capitalist world's main currency, although its positions have proved to have been squeezed.

It has been shown by Soviet economists that the opinion concerning the relatively slight significance of foreign economic relations for the United States with its huge domestic market, highly developed science-production potential and rich resource base does not correspond to reality. One work has shown that "the gradual accumulation of quantitative elements of dependence has led in this period to a qualitative change in the mutual relations of the American and world economies and the progressive dependence

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\* "West Europe in the Modern World," Vol 2, Moscow, 1979, p 24.

of the U.S. economy on foreign economic relations as a most important prerequisite ensuring the expanded nature of the reproduction process in the country."\* The main manifestation of these changes were the increase in the 1970's in the U.S. economy's dependence on imports of raw material, primarily energy carriers, the expansion of foreign trade transactions and the sharp increase in the overseas investment of capital.

As a result the United States stepped up considerably its world economic activity, within the framework of which it endeavored to justify the arbitrarily assumed role of political leader of the capitalist countries, realize such an advantage as its scientific-technical superiority to the West European states and Japan and pull the young Asian, African and Latin American states into the orbit of its influence. The might of scientific-technical potential combined with American corporations' foreign expansion was essentially the United States' main trump card in the exacerbating interimperialist rivalry. In relation to the developing countries a gamble was made on the use of a set of means, in which investment expansion was combined with many means of pressure on sovereign states, including economic sanctions, interference in internal affairs, blockade, boycott and support for antipopular forces, reactionary regimes, racism and apartheid.

The United States approached the outset of the 1980's in an atmosphere of acute economic rivalry with its NATO allies and the deteriorating political positions of the United States in the international arena and with the shameful finale to the American aggression in Indochina.

It turned out that the United States' Atlantic allies were at times pursuing a policy which did not entirely concur with American policy. The acute manifestations of American-West European contradictions and the rapid economic progress of Japan, which had begun to compete with the United States on world markets, forced Washington to reexamine the priorities of its foreign and foreign economic policy.

The export of capital, primarily direct investments, is the basic means of accomplishment of the United States' main strategic mission in the sphere of foreign economic policy--the attempt to unite all the capitalist states under the aegis of U.S. monopoly capital, remove all restrictions on the activity of daughter companies and affiliates and ensure complete freedom for capital transfers within the framework of this system or, more precisely, transfer profit to the United States unhindered and pump out financial resources from other countries.

However, in recent years the United States' struggle to maintain its economic and political positions with the aid of the export of capital has been waged under the conditions of the spreading foreign expansion of both the West European states and Japan.

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\* "The United States: Foreign Economic Strategy," Moscow, 1976, p 27.

The United States' share of the annual increase in the direct overseas investments of the developed capitalist states has gradually declined, despite the fact that the absolute amount of the annual export of American capital has increased (see table 1).

Table 1. Export of Capital From the Developed Capitalist Countries For Direct Investments Abroad (%)

	<u>1966</u>	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Total (\$, millions)	7,429	12,059	25,066	24,366	25,816	35,126	47,183
United States	72.9	62.9	56.9	47.7	47.3	46.7	51.7
Canada	0.1	2.5	3.1	2.3	2.9	6.6	3.9
West Europe	25.2	30.7	32.4	41.1	42.5	39.4	37.6
including							
FRG	4.8	7.2	8.0	10.1	10.7	10.3	9.8
Great Britain	10.4	10.9	9.7	15.6	12.8	13.1	12.3
Italy	1.3	0.9	1.4	0.6	2.1	0.5	1.2
Netherlands	3.5	4.3	5.3	4.0	6.3	5.2	4.9
France	3.1	3.1	4.1	5.0	4.7	5.8	4.3
Japan	1.4	3.0	7.0	8.2	6.4	6.7	6.1

Source: "Salient Features and Trends in Foreign Direct Investments," UN Centre on Transnational Corporations, ST/CTC/ 14, 1981, p 70.

#### Capture of Beachheads

If we turn to the history of American penetration of the West European countries, it may be noted that American capital's present positions in this region were predetermined by the intensive expansion which the United States undertook here after World War II with the aid of political, economic and other measures, unconcealed threats and intimidation of its NATO partners with the imaginary "Soviet threat" and "communist penetration". More general specific features of the expansion of American capital played their part here also.\*

The main target of expansion remains Great Britain, and the sources of the present position of the U.S. monopolies go back to lend-lease, the 1945 American-British financial agreement and other international acts of American monopoly capital. By the start of the 1960's even U.S. direct investments occupied significant positions in a number of sectors of the British economy, predominantly the processing and oil sectors. By this time American direct capital investments in Great Britain were almost \$300 million more than U.S. direct investments in the five other economically most developed European states (Belgium, France, the FRG, Holland and Italy). Such was the economic result of partnership with the United States along NATO lines and the

\* For more detail see A.A. Gromyko, "Foreign Expansion of Capital," Moscow, 1982, chapter 6; A.A. Gromyko, "The Expansion of Capital and the Current Stage of the General Crisis of Capitalism" (MEMO No 12, 1982).

dependence on transatlantic monopoly capital to which it had led Great Britain. This dependence systematically increased and contributed to the creation, American businessmen believed, of the "necessary climate" for direct investments.

American capital's penetration of the continental European countries was not so rapid. However, it is consolidating its positions here also, building up direct investments gradually, step by step, with the aid of economic, political, diplomatic and other measures.

The close cooperation of the U.S. and FRG monopolies is a well-known fact, although many of its details are, as before, concealed from the broad masses. History is in some respects repeating itself, being reminiscent in certain features of the period between the first and second world wars, when many millions of dollars served to recreate the military machine of German imperialism.

The influx of American capital into the West German economy, primarily into heavy industry, which is of military significance, explains to a considerable extent the fact that many large-scale industrial enterprises of West Germany, including Krupp, IG Farbenindustrie and others, were not only commissioned but also considerably modernized. This also explains to a considerable extent the fact that West Germany has become a serious competitor of the West European countries on the international market in terms of many types of industrial, including military, products.

What happened after World War I, when German industry, which was being restored with the help of foreign loans, with its replaced production machinery put in a difficult position a number of sectors of French and British industry which were incapable of withstanding competition on the international market on the part of Germany, is being repeated.

American companies operated just as energetically in France, where U.S. direct investments at the start of the 1960's were over \$700 million and in 1966 constituted \$1.8 billion.

American companies actively penetrated Italy's economy. Under the pressure of the United States, which had set itself the goal of converting it into its dependable military-strategic beachhead, the doors to this country's economy were opened wide to American monopolies. The main sectors of U.S. capital investment were those such as the oil, electrical engineering and chemical sectors, which accounted for over two-thirds of all investments.

The U.S. monopolies regarded Austria, Holland, Denmark and other small West European countries as profitable targets of the investment of capital.

To penetrate the West European countries the American monopolists made intensive use of their economic and political difficulties. Holland, which lost such a source of enrichment as Indonesia, of which U.S. corporations, which, having invested capital in Holland's economy, created dozens of daughter enterprises there, did not fail to avail themselves, may serve as an example.

The U.S. press candidly admits that the American monopolies' attention to Holland entails the possibility of conducting trade from this beachhead with practically all of West Europe. Many Dutch enterprises are linked by a system of canals, railroads and highways both with ocean ports and with a number of countries in Central Europe, primarily those which are a part of the Common Market.

The nature and scale of the introduction of capital in Japan are inevitably engendering serious contradictions between the two countries. The fact that the Japanese bourgeoisie regards the tasks of the moment and temporary economic benefits and not the urgent needs of the country as being of paramount importance is by no means removing the contradictions between Japan and the United States, which are inevitably growing and will continue to grow.

There need be no doubt: as Japan recognizes that economic dependence on the United States is contrary to fundamental national interests, there will be increased resistance to the policy which is presently being pursued by Japan's ruling circles to the detriment of the country's vital interests.

Total U.S. direct private investments in Japan constituted \$800 million in the mid-1960's, 89 percent of which were accounted for by the country's processing and oil industry. Of course, the adduced data are far from complete since capital penetration occurs in the most diverse forms and does not amount merely to direct investments. The building of military bases and numerous facilities is an important means of the expansion of American capital in Japan. Profits are being exported from Japan, like those from other countries in which American capital is being invested also, in predatory forms. This is explained largely by the fact that technologically a number of sectors of the country's industry (oil, aviation and certain others) is in a state of particularly great dependence on U.S. capital.

The experience of acquired tax privileges accumulated by U.S. capital is being applied extensively in Japan with the connivance and encouragement of its ruling circles. The country's legislation affords foreigners big privileges in respect of income. In addition, American capital has succeeded in acquiring in Japan exceptionally favorable tax terms which are considerably more beneficial than in a number of developing countries even.

The U.S. authorities, on the other hand, are encouraging in every possible way the creation and activity in Japan of various organizations and societies contributing to the introduction of American capital. Many of them are a legacy of the first postwar years, when the American military command lorded it quite unchecked in the country.

American capital investments are channeled primarily into large-scale enterprises, predominantly of heavy and military industry, and also the sectors servicing them. The U.S. monopolists are endeavoring to take control of the main sectors of the economy. This applies primarily to private capital as the principal channel of U.S. direct investments in Japan.

It is opportune to recall a typical utterance of U.S. Undersecretary of State and subsequently Secretary of State D. Acheson of exactly 2 years after the

end of World War II. He set the United States the following task: "In the present situation we must move toward the rebuilding of the two great workshops of Europe and Asia--Germany and Japan--on which the ultimate restoration of the two continents largely depends." Indeed, the history of the postwar expansion of U.S. capital persuades us that American imperialism played a decisive part in these states' rapid economic growth. Through penetration of the economy of the overseas partners in depth it contributed to the formation of the new power centers of present-day capitalism and retains important economic levers for keeping these countries within the orbit of its influence.

However, the statement quoted is noteworthy not, of course, for the fact that it speaks of the significance of American investments in Japan and Germany and the need to "move toward" the rebuilding of these countries, which, with the pretention to geographical determinism, are termed the "workshops of Europe and Asia." U.S. investments in Japan and the West European countries are subordinated primarily to the interests of the American monopolies and their policy, but by no means to the interests of the peoples of these countries.

#### The Offensive Continues

Taking the beachhead that had been captured as a basis, U.S. capital engaged in active expansion in the West European countries. The forms of its expansion are not confined to direct private investments; portfolio investments and the export of loan capital are growing rapidly also. However, out of considerations of the reliability and comparability of the data we will dwell precisely on direct investments.

Since 1966 American investments have grown the most intensively in the West European countries and increased by a factor of 6.3 in the period 1966-1981. In 1981 West European investments accounted for 60.6 percent of all U.S. direct investments in the developed capitalist countries. Thus the significance of this region as a target for investments has increased appreciably (in 1966 West Europe accounted for 45 percent of U.S. investments in the capitalist countries). Processing industry sectors account for the bulk of American capital, although a certain decline in their relative significance from 55 percent in 1966 to 45 percent in 1981 has been discerned. Investments in the West European countries' oil industry show a steady growth: they account for 22.7 to 22.2 percent of American investments in the region.

Some 10,262 affiliates of U.S. corporations were operating in West Europe in 1977, approximately 8,000 of which in the EEC countries. Their total assets had reached the gigantic sum of \$394 billion. These enterprises employed more than 3.1 million persons, and their gross profit amounted to \$293 million, net income to \$10.1 billion and repatriated profit to \$7.2 billion.

The central place in U.S. private capital's West European investments is occupied by Great Britain. In 1981 investments of American capital were in excess of \$30 billion. In the latter half of the 1970's investments in this country began to outstrip total American capital investments in the FRG and France.



The sectorial structure of American capital investments in Great Britain shows that in 1981 some 44.5 percent of resources (\$13.4 billion) was located in processing industry. Of these, engineering accounted for \$3.3 billion and chemical industry for \$2.2 billion. U.S. corporations channeled 26.9 percent of investments (\$8.1 billion) into the oil industry and more than \$2 billion into commerce.

The growth of American direct investments in the FRG is rapid. Although there has in practice been no change in this country's share of the total volume of the United States' West European investments, an absolute increase in the investments from \$3.1 billion in 1966 to \$16.1 billion in 1981, that is, an increase of a factor of 5.2, is to be noted. The bulk of the investments (64 percent) is located in processing industry. In the oil industry total direct investments in 1981 amounted to \$3.3 billion, and capital investments in commerce and banking and insurance constituted \$2.3 billion.

France is the third U.S. partner in West Europe in terms of the volume of American capital invested in its economy. In 1981 the direct investments of American corporations in the country were in excess of \$9 billion, while in 1966 this indicator constituted only \$1.8 billion. In 1981 France's share of the United States' total direct West European investments constituted 9 percent (11 percent in 1966). The sectorial location of American capital investments in France is analogous to that of Great Britain and the FRG: the proportion of investments in processing industry, particularly chemical and engineering (\$3.3 billion in 1981) is high.

The growth of direct investments in Holland attracts the attention. From 1966 through 1981 American investments here increased almost tenfold and amounted to \$8.8 billion. The United States has large-scale investments in Belgium and Italy (\$6.3 billion and \$5.4 billion respectively).

Table 2. U.S. Direct Private Investments in the Developed Capitalist Countries (\$, billions)

	<u>1966</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Austria	...	...	...	0.4	0.5	0.6
Belgium	0.7 <sup>1</sup>	4.2 <sup>1</sup>	4.7 <sup>1</sup>	5.9	6.3	6.3
Great Britain	5.7	17.4	20.4	23.5	28.6	30.1
Greece	...	...	...	0.4	0.3	0.2
Denmark	0.2	0.7	0.9	1.1	1.3	1.4
Ireland	...	1.2	1.6	1.8	2.3	2.6
Spain	0.4	2.2	2.1	2.7	2.7	2.9
Italy	1.0	3.0	3.6	4.4	5.4	5.4
Canada	17.0	35.4	37.3	40.2	45.0	47.0
Luxembourg	...	...	...	0.5	0.7	0.6
Netherlands	0.9	4.0	4.7	6.9	8.1	8.8
Norway	0.2	1.6	1.6	1.3	1.7	2.3
Portugal	...	...	...	0.2	0.3	0.3
France	1.8	6.1	6.8	8.0	9.3	9.1



FRG	3.1	11.0	12.7	13.5	15.4	16.1
Switzerland	1.2	6.2	7.4	9.7	11.3	12.4
Sweden	0.4	1.2	1.2	1.4	1.5	1.4
Japan	0.8	4.1	5.0	6.2	6.2	6.8

<sup>1</sup>Including Luxembourg.

Source: SURVEY OF CURRENT BUSINESS October 1968, p 24; August 1978, p 28; August 1979, part I, p 26; August 1981, p 31; August 1982, pp 21-22.

U.S. direct investments in West Europe are having a dual impact on the economy of the recipient countries. On the one hand the further development of their economic and scientific-technical potential is under way, on the other, the expansion of American capital is curbing the progress of national industry.

Besides the important political and strategic tasks which American imperialism is tackling with the help of the foreign economic expansion of its corporations, the export of capital is producing for it considerable profit. If we turn to the per-country distribution of the income obtained in West Europe, according to the data for 1981, the biggest profit was obtained by U.S. corporations in Great Britain (\$5.4 billion, 53.7 percent of which--\$2.9 billion--was received from investments in the oil industry). Then comes Switzerland--\$1.9 billion (\$1.6 billion from investments in commerce and insurance). Then Holland, where the profit was over \$1.2 billion (including almost \$1 billion from the oil industry). In the FRG American business obtained somewhat more than \$1 billion (\$1.9 billion in 1980).

One's attention is caught by the fact that in the 1960's U.S. investments in the oil industry of the West European countries were loss-making, but then (particularly after 1973-1974) the profit obtained in these sectors began to grow, amounting to \$5.3 billion in 1981. The increase in American profits in the oil industry of West Europe in the latter half of the 1970's coincides chronologically with the "oil price revolution".

The defenders of U.S. expansion assert that "despite certain inconveniences, the bulk of European countries wishes to have as many American enterprises as possible." In addition, they believe, "American corporations in West Europe are at an auction where European governments vie for the best deal."\* In practice the penetration of U.S. capital is being accompanied by a sharp exacerbation of interimperialist contradictions and leading to the domination of the American corporations and the growth of scientific-technical dependence on them.

In the period 1966-1981 U.S. direct private investments in Canada increased from \$17 billion to \$47 billion. Throughout the history of American-Canadian relations their characteristic feature has been Canada's unequal position.

\* See W.R. Burgess, S.R. Huntley, "Europe and America," New York, 10 1970, p 47.

Operating with the assistance of private monopoly expansion, the United States has virtually subordinated to itself the leading sectors of Canada's industry and made the country's economy dependent on its technology. The scale of penetration of Canada's economy is so great that it contains features of the interweaving of the economies of the two countries, and, furthermore, the Canadian partner has always been assigned the role of exploited party. Nonetheless, in political life the two countries' relations have been called none other than "special relations".

Despite the appreciable reduction in Canada's relative significance in the United States' direct foreign investments in the period 1966-1981 (from 31.1 to 20.7 percent), this country occupies, as before, first place in terms of the volume of direct investments of American capital. Its role is particularly impressive as a sphere of the investment of American capital in processing and oil industry--of the \$47 billion, \$19.7 billion and \$10.7 billion or 42 and 23 percent respectively.

The domination of American capital has led to the formation, particularly in recent years, of serious contradictions in relations between the two countries. The essence of these problems was candidly set forth by Canada's foreign minister. He declared: "...Indicators of foreign ownership in Canada are at a level which, I am certain, the United States would not tolerate. For example, according to the latest data available (1978), foreign investments in the United States constituted 5 percent of the capital operating in extractive industry and 3 percent in processing industry. The corresponding data for Canada constitute 37 and 47 percent.\*

The Foreign Investment Review Agency (FIRA) was set up in Canada in 1974. Its activity gave rise to the sharp dissatisfaction of U.S. business circles and the Administration inasmuch as it limited the unchecked nature of American corporations' investment decisions.

However, these measures ultimately failed to have a marked impact on the scale and nature of American investments. As of August 1981 the Canadian Government had approved 90.5 percent of all instances of American investors of capital requesting the appropriate authorization. Nonetheless, it was precisely the activity of the FIRA which was a main "bone of contention," and, as a consequence of these contradictions, a growth of tension in political relations between the two countries has been observed in recent years.

Another problem, the basis of which is also American capital's domination in Canada's economy, is the development of its power engineering sector. American-Canadian conflicts are also growing in the auto industry and in the sphere of currency-finance and monetary regulation.

Investments in Canada secure very high revenue for the American corporations. Whereas in 1966 American companies' profit constituted approximately \$1.3 billion, in 1981 it amounted to \$4.1 billion (a growth factor of 3.2).

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\* STATEMENTS AND SPEECHES No 81/24, p 4.

The United States' direct investments in Japan are as yet comparatively small. In 1981 Japan accounted for only 3 percent of total U.S. direct investments and 4.1 percent of American direct investments in the developed capitalist countries.

The positions which U.S. monopoly capital had acquired prior to World War II largely facilitated its further penetration of the Japanese economy. A certain analogy with West Germany, where the old relations between American and German finance-industrial concerns are to a large extent being used by American monopoly groups to penetrate the country's economy, suggests itself. As Japan becomes (and not without U.S. assistance, furthermore) an "economic power center" of modern capitalism, the American monopolies have begun to regard the development of relations with this country and an "effective presence" there as a key direction of their policy. In 1977 some 903 affiliates of American companies with assets of \$55.7 billion and employing more than 390,000 persons were operating in Japan.

A principal form of U.S. capital investments is several participation in joint-venture companies. Thus affiliates where 50 percent and more of the capital belongs to American corporations account for half of U.S. direct investments (in 1977 some \$2.3 billion of total investments of \$4.6 billion). However, the positions of the United States are strong in a number of sectors of industry and they were captured back at the time of the occupation of Japan. According to estimates, American capital controls up to 40 percent of the production and sale of petroleum products. For Japan, which caters practically in full for its oil requirements thanks to imports, the problem of supplies from foreign sources is particularly acute. The leading positions in this sphere have been captured by the big monopolies--giants of the U.S. oil business--Caltex, EXXON, Mobil and Gulf Oil. In 1979 they accounted for 39 percent and in 1980 for 35 percent of Japan's oil imports. Big American companies are also operating in radioelectronics and engineering. Despite the existence of a number of barriers (currency legislation, limitation of the investment sphere and others), the American company affiliates are not experiencing difficulties in relations with the country's government authorities.

American companies in Japan prefer, as a whole, to repatriate the profit obtained, as distinct from West Europe, where reinvestments and repatriated profit are approximately equal, while in Canada the first considerably exceed the volume of profits transferred to the United States.

The crisis of the economy of the capitalist countries is inevitably exacerbating the struggle in the imperialist camp for sales markets and spheres of capital investment. The forms of solution of the difficulties with the sale of commodity products outside of the American market to which the ruling circles are resorting (loans, credit, subsidies, "gifts" and so forth), whatever their scale, are not removing the root of the trouble. The main culprit is the arms race and the militarization of the economy of the capitalist states. The burden of military production which is being stimulated by Washington is being shifted to the shoulders of the laboring strata of the population of the capitalist countries, including that of the United States itself. The antipopular, parasitical nature of the international activity of capital is manifested particularly graphically here.

## Exploitation of the Developing World

The export of capital puts into focus, as it were, many fundamental problems of relations between the developing countries and monopoly capital, which is backed by official policy. Among these problems are the unequal international division of labor foisted on the emergent countries, the continued control on the part of foreign, primarily American, monopolies over the most important sectors of their economy and the export of profits to the metropolises, although they are now called former metropolises. The main impediment in the way of the establishment of the independence and progress of the peoples is American capitalism and its policy.

Flouting the sovereignty of the Asian, African and Latin American states, in the first decades after the end of World War II American imperialism constantly built up the scale of economic expansion. The neocolonialist content of U.S. foreign policy took conclusive shape in these years. The latter half of the 1940's, the 1950's and the start of the 1960's was marked by the predominant penetration of the developing countries and the seizure of the main mineral deposits there. This period may with complete justification be called one of a kind of "colonization" by U.S. capital of the economy of the developing countries, when a kind of "bridgehead" was created for the unimpeded, as the overseas strategists hoped, transfer to the United States of the developing countries' material and financial resources. In the mid-1960's the United States accounted for more than half of the export of capital from the developed capitalist states.

The goals of American foreign policy remained essentially the same. However, the United States was forced to adapt to the changes in the world and the changing conditions of the functioning of capital in the emergent countries. The class content of American foreign policy was manifested primarily in the endeavor to impede the ongoing development of the world socialist system and the building of socialism in the young Asian, African and Latin American states.

V.I. Lenin pointed out that "the deepest roots of both domestic and foreign policy... are determined by the economic interests and economic position of the ruling classes."\* U.S. policy in respect of the developing countries is an important part of the struggle of imperialism against the social renewal of our planet.

The first steps in this direction were taken at the start of the 1960's, when the J. Kennedy administration embarked on implementation of the "new approach".

Such a change in U.S. policy had been predetermined by the collapse of the colonial system, as a result of which imperialism had forfeited direct military-political control in the majority of young states. The United States encountered the need to make considerable amendments to the practice of its economic relations with the emergent countries and the building of relations with them on a long-term strategic basis. Under the

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\* V.I. Lenin, "Complete Works," Vol 36, p 327.

conditions of the upsurge of the national liberation struggle of the peoples and the strengthening of its anti-imperialist and, in a number of instances, anti-American content a policy of nudging the developing countries toward the capitalist version of development, "control" of this process with subtle forms of economic compulsion and a gamble on a neocolonialist linkage of their economies to the requirements of developed capitalism became the pivotal direction of the policy of the United States and its NATO partners for the purpose of covering their "rears" in the competition with world socialism. Many declarations were made by the American side about the onset of a "new stage" in relations with the developing countries, but their meaning always boiled down to just one thing--absolving itself of responsibility for the backwardness of these countries and directing their development in a channel favorable to the U.S. monopolies.

Irrespective of the changes in the foreign policy situation, the main instrument of realization of the United States' international policy was, as before, the export of private capital, which was manifested particularly sharply in the latter half of the 1960's. American imperialism, as Gus Hall, general secretary of the Communist Party of the United States, observed, "is beginning a new offensive for the purpose of establishing even greater financial hegemony over all countries which are its debtors. It is demanding of them financial and economic subordination, resorting to the threat to end loans and refuse new credit.

"We also have a new attempt to use supplies of food and other agricultural products as implements of hegemony, particularly in relations with the developing countries."

Total direct investments proceeding annually from the United States to the developing countries increased from \$5.3 billion in 1965 to \$31.1 billion in 1979, that is, almost sixfold. There were appreciable changes here in the structure of the exported capital. The increase in the flow of private direct investments from \$1.3 billion to \$8.1 billion catches the attention. Whereas in 1965 the resources allocated by the U.S. Government accounted for 63 percent of total exports of capital to the developing world, by the start of the 1980's the export of private capital had become predominant and constituted 69 percent of the total.

The stimulation of the export of American private capital in the 1970's was connected with the sharp exacerbation of interimperialist rivalry and the increased instability of the Western countries, where the fall in production and growth of unemployment were closely interwoven with such serious upheavals of the world capitalist economy as the raw material, energy and currency crises. Under these conditions there was an even greater increase in the international aggressiveness of U.S. capital and its inherent aspiration to guarantee access to sources of raw material in the developing countries, secure sales markets for its finished products, expand and protect local markets against competitors and, of course, increase profits.

The increase in the export of American capital to the emergent countries was also accompanied by a change in the methods of financing the investments.

In the 1950's--start of the 1960's the increase in U.S. investments was effected chiefly thanks to new proceeds, but as of the mid-1960's there has been an increase in the proportion of reinvested profits. For example, 71 percent of the increase in U.S. direct investments in the developing countries, which equaled \$1 billion, consisted of new investments. In 1980 of total U.S. direct investments in these countries, reinvestments accounted for 54 percent.

Thus American capital investments in the developing countries, which increase the latter's economic dependence, are being effected to an increasingly large extent thanks virtually to their own resources.

While maintaining direct investments as the basic form of location of capital in the emergent countries the United States is also resorting to diversification of the forms of export. It is using for this, inter alia, an increase in portfolio investments and export credit. The relative significance of portfolio investments in the export of private capital to the developing countries rose in the 1970's from 19.1 to 24.3 percent and the proportion of private export credit from 2.7 to 32 percent, whereas direct private investments declined from 58 to 38 percent.

The increase in the proportion of portfolio investments and export credit in total private capital investments in the developing countries testifies to the sharp activation of the American monopolies, which extend directly or via Euromarket channels up to two-thirds of the credit entering the young national states from private sources. According to an estimate of the U.S. Federal Reserve System, the "Big Six"--the Bank of America, Citicorp, Chase Manhattan, Morgan Guaranty Trust, Manufacturers Hanover and Chemical Bank--predominate here.

The expansionist activity of the American banks is based on their growing might, the predominance of the dollar in international payments and Eurocurrency transactions, the United States' presence in all international and regional finance centers, including Panama, Singapore and the Near East countries, and American capital's penetration of the credit systems of the majority of former colonies and semicolonies.

Over the past 15 years American corporations as a whole have accounted for over half of the influx of new direct investments from the capitalist countries to the emergent states. This is by no means fortuitous. There is every reason to assert that the increase as of the mid-1960's in the expansion of U.S. private capital to the developing countries has been of a purposeful nature and is a strategic task of the country's foreign policy.

The structure of U.S. direct investments in the developing world in recent years has not undergone appreciable change. The Latin American countries--the main target of the expansion of American private capital--accounted in 1981 for 69.3 percent of all U.S. direct investments in the developing countries (72 percent in 1955). The relative significance of Asia constituted in the same year 23.2 percent (19 percent in 1955) and Africa 7.5 percent (9 percent in 1955). From 1975 through 1979 the export of U.S. direct capital investments to these states constituted \$14.9 billion, 52 percent of which were accounted for by Latin America.

The United States is increasingly encountering the fact that it can no longer suppress the national liberation and foist on the young states a policy convenient to itself with the aid of "gunboat diplomacy, pressure and diktat. In addition, the developing countries, relying on the political and economic support of world socialism, have repeatedly forced American imperialism to agree to concessions and have struck at the system of international exploitation created by the United States with the help of the transnational corporations. This revealed the groundlessness of both the program of bourgeois-reformist transformations in the developing countries of President J. Kennedy's administration and the fruitlessness of President L. Johnson's tougher line. The United States was forced to reexamine the arsenal of its policy's tactical means.

A little more than a decade later the sphere of international economic relations has undergone a number of major changes. The instability of the economies of the developed capitalist countries, primarily the United States, has increased, and on this basis there has been an exacerbation of the interimperialist contradictions and an increase in the dependence of the imperialist countries on the state of the world commodity markets and imports of basic types of mineral raw material, particularly oil. A process of the ouster of American private capital from the key sectors of the economy has spread in a number of emergent countries. Then U.S. President R. Nixon declared in this connection: "The United States' relations with the less developed countries... can no longer be built merely on the basis of aid programs. We aspire to an all-embracing and coordinated policy in the development sphere encompassing all aspects of our economic relations with the less developed countries.... Our goals in the sphere of trade, investment and monetary reform could be jeopardized if we fail to enlist the poor countries in participation in a more open world economic system and if they are thereby not afforded an opportunity to move forward in accordance with their development hopes."\*

If we overlook the rhetoric contained in the pronouncement, the U.S. President's main thought becomes clear: the developing countries should become a component of the world capitalist economy, and the United States is using for this a "comprehensive" approach to imposing its will on them, including both "aid" and foreign trade relations and the export of capital.

As of the 1970's the United States embarked on the more assertive implementation of economic expansion, making certain tactical adjustments here. It pursued on the one hand the goal of reducing the degree of U.S. "involvement" in rendering "assistance" to so-called secondary countries and concentrating the main efforts on key states on the other. There was simultaneously a decrease in appropriations for government "assistance" and a

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\* "International Economic Report of the President," Washington, 1974, pp 19, 20.



broadening of the terms for stimulation of the activity of private capital.\*

The organizational structure also underwent a certain restructuring: "aid" was limited to the purpose of economic development and safeguarding "security". In practice this "reorganization" untied the hands of the supporters of active interference in other countries' affairs, with the use of military means and investments included.

Simultaneously in the 1970's the U.S. Government adopted a number of measures to expand assistance to the export of private capital to the developing countries. These measures primarily include the creation in 1970 of a private foreign investments corporation, cancelation of the program of mandatory restrictions on and control over the export of private capital (1974) and the inclusion in the 1974 Trade Act of a number of provisions discriminating against emergent countries which nationalize American assets.

It is important to emphasize that as of the latter half of the 1970's the rate of increase of U.S. direct investments in the developing world began to surpass the corresponding indicator of capital investments in the economy of the developed capitalist countries. In addition to the main reason--the fear that the United States' positions could be seriously shaken under pressure from the peoples' liberation struggle--a group of factors may be distinguished which entailed the persistent buildup of American direct investments in the developing countries.

First, the 1974-1975 economic crisis combined with the exacerbation of raw material and, particularly, energy problems posed sharply the question of the "reliability" of raw material and fuel sources and the need for a strengthening of the American positions there.

Second, the impact of certain factors connected with the general nature of the economic development of the United States itself, including the American corporations' endeavor to transfer certain types of energy- or material-intensive production (the so-called "dirty" sectors of industry) to where the corresponding resources were located, was manifested. The relocation to countries with an abundant supply of cheap manpower of certain subdivisions of processing industry like, for example, the assembly of finished products from imported components and so forth which was manifested in the 1970's was connected with this.

Third, the expansion of the scale of the United States' economic expansion in the developing countries was influenced by the increasing interimperialist

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\* This decrease was dictated to a certain extent by the United States' domestic economic problems, particularly the country's chronic negative balance of payments and huge federal budget deficit. At the same time, however, the expansion of the export of private capital led in the short term to an increase in the negative aspect of the U.S. balance of payments, although subsequently these losses would be compensated, according to the calculations of Soviet economists, thanks to the reverse transfer of profits over a period of 5-6 years (for more detail see G.G. Chibrikov, "Socioeconomic Consequences of the Export of Capital," Moscow, 1971).



rivalry for sales markets and raw material sources, the course of which shows that in the 1970's the United States gradually lost its influence in a number of developing countries as a result of the active penetration of their economies by West European and Japanese capital. Thus even in the Latin American countries the relative significance of U.S. direct investments in overall invested foreign capital in the period 1971-1975 declined thus: from 38 to 32 percent in Brazil, from 81 to 69 percent in Mexico and from 56 to 48 percent in Colombia.

The geographical distribution of U.S. direct investments in 24 developing countries, which accounted in the period 1977-1981 for from 92 to 87 percent of total U.S. direct investments, shows the selective nature of the location of capital in this region. It is significant that the monopolies concentrate investments in the countries which have more or less stable political regimes from their viewpoint, rich natural resources, a sufficiently capacious domestic market and a certain level of development of local industry.

The main countries for the investment of American capital are the countries and territories of Latin America and the Caribbean--Brazil, Mexico, Panama, Argentina, Venezuela, Peru, Bermuda and the Bahamas. They accounted in 1981 for approximately 70 percent of total U.S. direct investments in the developing countries, and their sectorial "specialization" can be traced distinctly here. The bulk (66 percent) of U.S. capital investments in the economy of Brazil, Mexico, Argentina and Venezuela was concentrated in processing industry, whereas in Bermuda and the Bahamas and also in Panama they were accounted for mainly by investments in commercial, credit-finance and insurance establishments (\$14.4 billion out of \$17.1 billion).

Table 3. Direct Investments in Developing Countries (%)

	<u>1966</u>	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
United States	49.7	51.2	69.0	39.9	51.2	50.3	59.2
Canada	1.5	1.7	2.9	5.5	4.1	4.1	1.3
West Europe	43.7	37.1	25.5	39.8	36.1	33.1	33.6
including							
Great Britain	7.9	9.2	7.6	12.2	12.9	10.5	11.2
Italy	1.9	3.3	1.4	2.7	1.7	0.6	3.4
Netherlands	4.8	5.0	2.2	3.1	5.1	4.0	1.2
France	15.7	6.4	2.6	3.1	2.8	3.7	5.0
FRG	6.8	8.6	7.8	9.8	8.9	9.2	6.1
Japan	4.5	7.1	2.1	13.9	7.6	11.8	5.1

Source: "Salient Features and Trends in Foreign Direct Investments," p 85.

U.S. capital has been and continues to be invested in Latin America both via enterprises belonging to American monopolies entirely and via joint ventures. For example, in Mexico 56 percent of American affiliates belonged entirely to the continental (American) company, and the remainder were in joint use, but in only 15 percent of the affiliates did American interests constitute a minority. In any event, the monopolies are endeavoring to hold back the progress

of the sectors of industry of Latin American countries with whose assistance they could create a developed economy for themselves and transfer to these countries the "lower stories" of their processing industry, which is frequently contrary to national industrialization plans.

The bulk of U.S. investments in Brazil's processing industry is located in such sectors as chemical and engineering, electrical engineering, electromechanics and electronics and also the production of transport equipment. The structure of U.S. investments in Mexico, Argentina and Venezuela looks roughly the same. U.S. companies practically fully control Brazil's automotive industry and have their hands on 80 percent of the pharmaceutical and approximately 50 percent of chemical industry, 47 percent of aluminum smelting and 50 percent of machine building. In Mexico the four biggest U.S. financial groups--the Morgans, Rockefellers, Citicorp and Bank of America--have subordinated to themselves two-thirds of the resources of all American companies operating in its processing industry. We would note also that U.S. corporations are actively strengthening their positions in the processing industry of other countries of Latin America also: in 1979 alone it accounted for 87 percent of the net inflow of capital from the United States into the processing industry of all developing countries and, correspondingly, 66 percent of reinvestments.

The 1970's were marked by a growth of U.S. direct investments in Asia, primarily in regions of Southeast Asia. However, the distribution of U.S. private capital in the countries and on the territories of this region also shows the selective nature of investment decisions. The list of the 25 biggest targets for the investment of this capital includes Hong Kong, Indonesia, Malaysia, Singapore, Thailand, Taiwan, the Philippines and South Korea. In 1980 they accounted for 15.5 percent of U.S. direct investments in the developing world. It should be noted that the Southeast Asia area has always been a target of the close attention of the U.S. Government and businessmen. The government has always attached tremendous significance to this region's important strategic position and the expansion of the network of American bases here, while American business has been attracted by the favorable investment climate, the rich mineral deposits and the cheap manpower.

In the postwar period U.S. policy was directed at suppression of the national liberation movement and distinguished by aggressiveness and military and political interference in the affairs of Indochina for the purpose of implanting there by force of arms procedures suitable to the United States. The finale of the long-lasting war against the Vietnamese people showed that all attempts to dictate to and, even more, by force of arms to impose one's will on other peoples are futile and inevitably doomed to fail. In the mid-1970's the United States' positions in this region were seriously undermined.

It might have seemed that the fundamental change in the situation in Indochina might have created more favorable prerequisites for the organization in Asia of peaceful cooperation, economic included. However, the United States responded to these changes with a sharp increase in its political and economic expansion. The direct investments of American companies in Hong Kong, Indonesia, Malaysia, Singapore, Thailand and Taiwan and in the Philippines increased in the period 1966-1977 from \$900 million to \$4.6 billion, and in 1981 they constituted

\$9.7 billion. As a result their relative significance in total U.S. direct investments in the developing countries and territories grew from 6 percent in 1966 to 17.3 percent in 1981.

At the end of the 1970's some 361 affiliates of U.S. companies with assets of approximately \$11 billion were operating in Hong Kong, where American companies had invested the biggest resources compared with the remaining Asian developing countries. The overwhelming part (75 percent) of these resources was in banking.

In the 1970's there was a considerable increase in investments in processing industry. The biggest investments were made in the Philippines (\$600 million in 1981), and, furthermore, U.S. capital occupies the dominant position in petroleum refining and chemical and pharmaceutical industry. In Singapore and on Taiwan American companies have located \$600 million and \$300 million respectively predominantly in assembly enterprises of electronics industry and engineering. The growth of such investments in Indonesia and South Korea can be observed.

In its foreign economic strategy with respect to the young national states the United States is oriented to an increasingly large extent toward the expansion of relations with the most developed, assigning to them the role of a kind of auxiliary link of the United States' economic mechanism. Whereas in 1966 U.S. direct investments in the developing countries' processing industry amounted to little more than one-fourth of all the direct investments of American companies in these countries, in 1977 they had reached 36 percent. Penetrating the developing countries' processing industry in ever increasing depth, the United States is pursuing the goal of enshrining these countries' technological dependence, reorganizing and renewing the forms and methods of its expansion.

A further shift to the right in international, including economic, policy has been observed with the R. Reagan administration's assumption of office. Identifying domestic and foreign policy goals with the interests of big business, the present administration has removed all restrictions on the expansion of the United States' private capitalist business in the developing countries. According to the thinking of Washington's strategists, the young countries should be a target of even greater exploitation and oppression.

American companies lost some of their positions in the 1970's in a number of countries of the national liberation zone. Under these conditions capitalism resorted to the old method: pass off its mercenary goals as national. As a result the concept of "vital interests," American, naturally, emerged. U.S. foreign policy, as even bourgeois experts have been forced to observe, is aimed directly at ensuring guarantees of private ownership and freedom of markets and profits for "internationally operating U.S. businessmen." The basis of the "vital interests" concept is the protection of actual and potential profits protected by the entire might of political, economic and military means.

At the same time, however, the U.S. monopolies have been forced to give way in some respects. This can be seen particularly graphically in the example of investments in oil production in the Near East region and also in North Africa.

After World War II the capitalist oil market was captured by the International Oil Cartel, which was made up of the "Big Five" American oil monopoly-giants. Although by the mid-1970's no less than 40 U.S. companies were operating in the Near and Middle East, the "Big Five" produced approximately 60 percent of the oil in the region and remained the main expansionist force of the United States.

The national liberation struggle of the countries of this region was spearheaded at ousting the American monopolies. In the sum of measures employed against U.S. capital the most important in terms of economic and political consequences were the revision of the unequal concession agreements, nationalization of the property of the American companies and the increase in the price of oil. These were the main interconnected links in the chain of measures adopted by the oil-producing states in the 1970's in defense of their interests.

The sociopolitical heterogeneousness of the oil-exporting countries, particularly the Arab countries, was expressed in the diversity of forms and methods of nationalization of the property of the American oil companies. However, despite all the differences, the oil-producing countries' struggle for economic independence produced the biggest results precisely on the paths of nationalization. By 1975 even companies of the developing countries owned 62 percent of world capitalist oil production (12 percent in 1972), and the International Oil Cartel's share had declined from 73 to 30 percent.\*

A propaganda campaign, whose initiators accuse the Arab countries of all the capitalist economy's energy and other difficulties, was started in the West, primarily in the United States, and continues to this day.

However, it is well known that the oil-producing states were merely protecting their economic interests, restoring rights which had been flouted by imperialism. To assert the opposite is to stand the facts on their head. Is the present oil situation in the West not the result of a definite policy and not a consequence of the fact that for decades the natural wealth of the oil-producing countries had been rapaciously exploited? And is there no blame here for the policy of Israel, its annexation of Arab territory and its unwillingness to leave the captured land? The one cannot be separated from the other in this interweave of politics and economics.

Table 4. Sectorial Distribution of U.S. Direct Investments in the Developing World (\$, millions)

Countries and territories	1966					1981		
	Total	Mining Ind.	Oil Ind.	Proc. Ind.	Total	Mining Ind.	Oil Ind.	Processing Ind.
Argentina	1,035	...	...	656	2,735	69	483	1,570
Bahamas	...	...	...	...	2,987	...	289	39
Bermuda	...	...	...	...	10,353	...	-609	15
Brazil	1,247	58	69	846	8,253	152	422	5,420
Venezuela	2,615	...	1,862	291	2,175	...	126	1,156
Hong Kong	...	...	...	...	2,655	...	267	470

\* A.Ye. Primakov, "The Transnational Oil Corporations and the Oil-Producing Countries: Evolution of Relations" (SShA--EKONOMIKA, POLITIKA, IDEOLOGIYA No 11, 1981, pp 17-18).

Indonesia	...	...	...	...	1,861	...	1,499	140
Colombia	571	...	277	190	1,178	...	318	574
Malaysia	...	...	...	...	849	3	497	244
Mexico	1,248	108	42	802	6,962	77	189	5,140
Panama	792	19	153	28	3,671	...	601	302
Peru	548	291	29	93	1,928	...	...	106
Singapore	...	...	...	...	1,791	...	798	594
Thailand	...	...	...	...	551	10	406	24
Philippines	579	...	...	180	1,294	...	251	554
Chile	844	494	...	51	834	...	98	112
South Korea	...	...	...	...	778	...	315	163

Source: SURVEY OF CURRENT BUSINESS, October 1968, p 24; August 1982, p 22.

In the 1970's, when a shortage of fuel-energy raw material was revealed in a number of capitalist countries, the garish term "oil crisis" came into use. However, mankind, and all specialists agree on this, is not threatened by energy asphyxia. Science has not yet had its final say in the development of new energy sources. The causes of the crisis are not natural but social and political. The best proof of this is the fact that the socialist world has practically not encountered it. It is for this reason that the USSR and the other fraternal socialist countries support the states which see the way out of the crisis in the consistent limitation of the activity of the foreign oil companies, which are mainly responsible for it having arisen. No sober-minded politician can fail to acknowledge the soundness of the actions aimed at protecting states' sovereignty over natural resources, compelling respect for territorial integrity and defending independence.

The new system of establishing prices secured for the oil-producing countries a sizable source of financing of their own economy. It is sufficient to say that whereas in 1972 the oil revenues of the Arab oil-producing countries alone amounted to roughly \$7.5 billion, at the end of 1975 they constituted \$57 billion. In 1980 the total accumulated resources of the OPEC members reached, according to some estimates, \$350 billion. As a result the oil-exporting countries came to possess the resources for buying out American enterprises. This by no means signifies that there is no influx of U.S. direct investments in the Near and Middle East. On the contrary, as a result of certain statistical tricks not only the positions of the U.S. oil business which remained after nationalization but also new investments proved to have been concealed. In the period 1975-1979 the volume of private capital exported from the United States for direct investment in the Near East was in excess of \$5.1 billion and, considering reinvested profit, \$6 billion.

The mechanism of American companies' extraction of profits from oil transactions from the Near and Middle East countries underwent fundamental reorganization in the 1970's. In these years the Arab countries appreciably increased tax rates and royalties. The tax on the profits of American and other foreign companies was raised in the period 1970-1974 from 50 to 85 percent.

The first half of the 1970's should be regarded as a boundary when on the one hand the increase in U.S. direct investments in the Near and Middle East

reached a peak (approximately \$3 billion in 1974) and, on the other, a considerable reduction in the scale of capital invested by U.S. companies as a consequence of the Nationalization of the foreign oil companies' property began. The biggest American oil corporations were deprived--and this is an important result of the 1970's--of the main positions in the oil-producing industry of Iraq, Kuwait, Saudi Arabia, Qatar and Bahrain.

The nationalization of the property of the American oil companies was accompanied by generous compensation for their owners, the amounts of which were determined on the basis of mutual understanding. Thus the reduction in the companies' role as direct investors of capital in oil production did not mean an appreciable reduction in the scale of U.S. activity in the oil economy of the developing countries, although nationalization had settled the fundamentally important issue of ownership of the oil being produced. In addition, in the latter half of the 1970's the United States bestirred itself in the Near and Middle East, using for its own purposes the continuing dependence of the region's countries on the foreign oil corporations in the sphere of shipment and sales, the acute shortage of skilled engineering and managerial personnel and also certain countries' plans to create a diversified national economy. Operating frequently on an equal footing with the state or with private national capital, the American corporations appreciably expanded entrepreneurial activity in the oil industry.

Huge profits are being derived from the developing countries, as before. For their part, as a consequence of the unequal relations, the host countries are incurring losses. The annual losses of the developing countries as a result of the transfer of profits by foreign monopolies, manipulation of purchase prices and sales in intracompany commerce of the West's monopolies, the exorbitant payments for licenses and shipments, the brain drain, the depreciation of currency proceeds as a consequence of galloping inflation in the West and so forth are, according to estimates, in excess of \$100 billion annually.

In the period 1966-1981 the developing countries accounted for from one-third to more than one-half of all the profits from direct investments transferred to the United States. To this it should be added that the total of profits reinvested by American companies in the developing countries in the period 1966-1981 was in excess of \$29 billion. U.S. direct investments in these countries, which in 1966 constituted 28.9 percent and in 1981 some 24.7 percent of total U.S. direct foreign investments, produce for the American corporations roughly half of all repatriated profits. We can see strikingly in this example the United States' particular interest in securing its so-called "vital interests" in the developing countries and the obvious nature of the role of American imperialism as the main financial exploiter of the developing countries. It is not the vital interests of the United States but flesh and blood--this is what is behind the superprofits of the imperialist monopolies plundering others' oil wealth.

The big proceeds from U.S. direct investments in the developing countries are connected with a number of factors, among which are the high degree of exploitation at the foreign enterprises and also the use of cheap manpower.

Thus the consortium of American oil corporations satisfied more than 80 percent of its manpower requirements from the local population. Average monthly earnings here in 1969 were lower by a factor of 2.3 and in 1971 by a factor of 2.1 than the average wage in the oil industry of the United States. This strikingly manifests the activity of the U.S. oil business, which is profitable for the monopolies and exploitative for the peoples of the developing countries.

The dynamics of the profit norm from U.S. direct private investments in the developing countries from 1966 through 1980 tend toward an increase throughout the period. It increased from 17 percent in 1966 to 22 percent in 1980 and in certain years reached 30-40 percent.

Thus the reduction in the profitableness (per barrel of oil produced) of the operations of the American oil companies in the oil industry of the developing countries as a result of nationalization, the tightening of financial terms and others was rapidly compensated by the increase in the oil price.

While having lost some positions at the oil-production stage, U.S. companies at the same time maintained control over other components of the "oil chain" and increased their profits by way of jacking up prices for end petroleum products and oil shipment operations.

Concrete calculations expose the falsity of the assertions of the present U.S. Administration that American private capital investments are contributing to a "transfer of resources" from the United States to the developing countries. In actual fact the resources of the latter are being transferred to the United States. It is therefore by no means fortuitous that the profits from direct foreign investments are an important item of the proceeds of the U.S. balance of payments.

The defenders of big business persistently emphasize the oil corporations' "positive contribution" to the economy of the oil-producing countries and the role of the revenues received via the channels of these companies as a "financial development basis". However, the facts on the ratio of American investments and profit in the developing countries entirely refute the inventions of American propaganda.

An important singularity is the extended expansion of capital with the aid of international currency-credit organizations. From the very start of their existence the IMF and World Bank, which were set up on the initiative of the United States, have been used as instruments of political and economic pressure on the less developed countries. These organizations have to a considerable extent become the political basis of the present-day currency-finance system of imperialism controlled by the United States.

The endeavor of the Western powers, particularly the United States, to endow the IMF with broad functions of control over the economic and currency-finance policy of the fund's members has been observed recently.

The demands put forward by the IMF at the time of the granting of credit are acquiring an increasingly great multipurpose nature, affecting budget,



monetary-credit, currency, foreign trade and general economic policy. These demands usually include a limitation on the volume of internal credit, increased taxes, a wage freeze and a devaluation of national currencies, which leads to a slowing of the growth rate of the economy, price rises and increased unemployment and a reduction in the working people's living standard.

Indicative in this respect was the 36th joint session of the IMF and World Bank held in 1981 in Washington. Representatives of the members of these organizations participated: finance ministers, central bank managers and employees of the international organizations' secretariats.

The developing countries addressed a number of specific demands at the session to the IMF and World Bank which were actively counteracted by the Western states, primarily the United States. U.S. President R. Reagan's speech at the session frankly demonstrated the administration's reluctance to take account of the interests of the young independent states. The U.S. representatives, who were actively supported by new World Bank President O. Clausen, persistently recommended that the developing countries "regulate" their economic mechanism by way of the utmost encouragement of private, primarily foreign, enterprise to the detriment of the public sector. These conditions are to be determining when loans are granted by the bank.

A report of a special group of the U.S. Congress set up to analyze the activity of the West's leading financial establishments was made public on the eve of the session. The conclusions drawn in the report, which had the official backing of former Secretary of State A. Haig and Treasury Secretary D. Regan, contain, inter alia, recommendations for the use of U.S. political and financial pressure for the purpose of establishing tighter control in the development banks and call for a sharp reduction in the program for granting privileged long-term loans to the poorest countries and a halt to financing along international organization lines of countries with a median per capita income.

Summing up the results of the session, World Bank President O. Clausen favored the granting of resources for the development of the developing countries, emphasizing here the need for an expansion of the private sector. He observed that one of its duties in the future would consist of striving for a substantial increase in the level of private financing. At the same time, however, Clausen emphasized that a potential debtor would have to change economic policy, reduce government spending, contribute to the development of the private sector and develop exports.

For his part, the chairman of the group of developing countries, which includes 24 countries, declared, evaluating the results of the session, that some developing countries might even quit the World Bank if calls were to be made, as before, for a further reduction in the resources granted them.

Many developing countries are beginning to understand increasingly clearly that the U.S. ruling circles regard the IMF and World Bank as an implement of their policy and a means of supporting their transnational corporations.

The results of the session convincingly show once again that both leading financial organizations of the capitalist world are experiencing an acute crisis. It cannot be ruled out that, experiencing ever increasing pressure on the part of the developing countries, the leaders of the fund and the bank will be forced either to alter the present methods and forms of the activity of the IMF and World Bank or pay more attention to the demands of the developing countries.

Commenting on the work of the session, foreign press agencies pointed to the stubborn reluctance of the industrially developed capitalist countries to lend an ear to the demands of the developing states. A concentrated expression of the capitalist powers' position on the question of expanding the framework of "assistance" to the developing states is the position of the United States: until these countries "put their financial and economic affairs in order, no assistance will bring about progress."

This testifies to the umpteenth time to the unwillingness of the ruling circles of U.S. big business to take account of the needs of the developing countries and consent to appreciable changes in capitalism's currency-finance system with regard for their interests. At the same time, however, the developing countries' growing discontent at the activity of these organizations, primarily the attempts of the United States and the West as a whole to turn the financial institutions into a tool of collective neocolonialism, is being manifested as obviously as can be.

A characteristic feature of the current stage of the expansion of U.S. capital is that never before have the most brazen circles of monopoly capital attempted so uncereemoniously to subordinate the entire process of world development to their mercenary interests. K. Marx wrote with his typical sarcasm that when it is a question of property, "sacred duty" commands capitalists "to uphold the viewpoint of the child's ABC as the sole correct one for all ages and all levels of development."\* Some people would like to make the American "imperialist ABC" a textbook of life for all mankind.

Such an antihistorical approach is repudiated by the logic of social development, whose most influential and constructive current is the theory and practice of Marxism-Leninism. "Open to all that is best and progressive," Yu.V. Andropov, general secretary of the CPSU Central Committee writes, "that exists in modern science and culture, it is today at the center of the world's spiritual life and has possession of the minds of millions and millions of people. It is the ideological creed of the ascendant class, which is liberating all mankind. It is a philosophy of social optimism, the philosophy of the present and the future."\*\* Capital lacks such a future both in the domestic and in the exported varieties and in both theory and in practice.

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\* K. Marx and F. Engels, "Works," Vol 23, p 726.

\*\* KOMMUNIST No 3, 1983, p 23.

## NEW FEATURES IN CAPITALIST CRISIS REQUIRE NEW CONCEPTUAL APPROACHES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
Apr 83 pp 40-53

[Article by V. Martynov: "Certain Current Tasks of a Study of the Economic Problems of Capitalism of the 1980's"]

[Excerpts] As emphasized at the 26th CPSU Congress, theoretical study of the problems of imperialism and an analysis of the latest singularities of the current stage of the general crisis of capitalism are of paramount significance in the elaboration and determination of the strategy and tactics of world socialism and all present-day revolutionary forces.

In accordance with the decisions of the 26th CPSU Congress, the USSR Academy of Sciences Institute of World Economy and International Relations under the leadership of Academician N.N. Inozemtsev has made appreciable changes to and supplemented the current and 5-year plans of scientific research. A comprehensive theoretical and specific study of the most important economic and sociopolitical problems of world development have moved to the forefront. A discussion is under way in the institute at the present time to this end of scientific papers on the basic theoretical problems of the political economy of capitalism, the class struggle and international relations.

This task is all the more relevant in that the capitalist world has embarked on a new acute-conflict period of development. This is determined on the one hand by such most important processes as the exacerbation of the struggle of the two world systems at the current stage and the increased significance of a number of global problems and the new stage of the scientific-technical revolution which has begun and, on the other, by the sharp intensification of the economic and sociopolitical contradictions of capitalism.

### I

Signs of the new stage of the scientific-technical revolution, which in many respects entail fundamental transformations of the means, methods, subjects and products of labor and also energy sources, manifested themselves distinctly on the eve and at the outset of the 1980's.

An in-depth study of the most important directions of scientific-technical progress and the changes in the development of the production forces of the

capitalist countries which are occurring under the impact thereof is an important task of economists-international affairs experts (both from the standpoint of an evaluation of the course of the economic competition of the two systems and in the interests of the possible use of positive experience. The results of this study have been set forth, in particular, in the section of the comprehensive program of scientific-technical progress "Development of Science Abroad," which was prepared by the institute).

The new stage of the scientific-technical revolution has been engendered by the requirements of the development of production and at the same time entails a profound structural reorganization thereof. Its main directions are, first, the development of the technical means and technology for surmounting the consequences of structural crises (primarily energy) for the purpose of economizing on resources. Second, the formation of a large group of science-intensive sectors. In the impending structural reorganization, third, decisive importance will be attached to the change in the technical basis and functional role of certain sectors, sectorial complexes and types of products. Two directions merit particular attention: a) automation (based on computers, adaptive control-data systems, microprocessors, industrial robots and so forth); and b) the radical changes in the technological systems of production processes (bioengineering, automated planning, powder metallurgy and so forth).

The process of the transformation of the main production force--manpower--is inseparably connected with the changes in the material components of production. The scientific-technical revolution increases the demands made on the general educational, professional and skills level of the work force, and such spheres of the national economy as education and health care are enjoying new development (however, nor can we fail to see the increased demand engendered at certain stages of the scientific-technical revolution for labor of average and even less than average skill). Unfolding scientific-technical progress, and particularly, such an area thereof as automation has severe social consequences. A report of the Club of Rome on microprocessors and society predicts a tremendous growth in unemployment in the capitalist countries by the end of the century. In the estimation of American economists, even by the start of the 1990's production automation could affect 40 percent of this country's entire work force.

The new stage of the scientific-technical revolution is attended by appreciable changes in the structure of social production, large-scale shifts in the capitalist international division of labor and a breakup in the proportions of the reproduction of capital, which is inevitably giving rise to profound economic, social and political upheavals.

The 1970's and the start of the 1980's again confirmed that the scientific-technical revolution no longer fits into the framework of capitalism and is undermining its foundations. It is multiplying the objective and subjective prerequisites of socialism since for the full disclosure of its potential the latest technology demands production relations fundamentally different from capitalist relations.

## II

The 1970's, like also the 1980's which have just begun, were characterized by a sharp deterioration of the economic and sociopolitical position of the capitalist world. And this deterioration is manifested in such serious changes that we may boldly speak of a period of the sharp and profound destabilization of capitalism which has begun. The profound and prolonged world crises hitting the capitalist economy one after the other, the complete groundlessness of the system of state-monopoly regulation of the economy which evolved in the first postwar decades, the exacerbation of interimperialist contradictions, unemployment, which has reached gigantic proportions and the increased social and political polarization of capitalist society are eloquent testimony to this.

A turning point in capitalism's postwar development was undoubtedly the 1974-1975 crisis, which initiated stagflationary cycles and the growth of the general economic instability of the capitalist system. The current, most protracted world economic crisis of the postwar period has been shaking the capitalist economy for approximately 3 years now.

A serious deterioration in the basic indicators of economic development has occurred compared with the 1950's-1960's:

there has been a sharp slowing of economic growth and a marked decline in the labor productivity growth rate, and the output-capital ratio is falling constantly;

inflation has become an incurable ailment of capitalism;

unemployment has assumed a mass and chronic nature. There has also been a considerable drop in the indicator of the efficiency of the capitalist economy--the profit norm; and

a profound modification of the cycle has occurred: the phases of crisis and depression have lengthened and the phases of recovery and upturn have shortened. The cyclical factors of capitalist accumulation have proven to be considerably weakened.

A fundamental feature of the cyclical crises of both 1974-1975 and 1980-1983 has been their combination with inflation. The combination of these seemingly mutually exclusive phenomena--the overproduction of commodities relative to effective market demand and inflation giving the appearance of greater demand for commodities than supply--is at the basis of their protracted nature. Such reference points of capitalist management as commodity price, bank interest, share price and so forth, which were decisive even in the recent past, have proven highly unreliable under these conditions.\*

The phenomena of stagflation reveal on the one hand the profound extent of the

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\* For more detail see MEMO No 12, 1980; Nos 5, 7, 1981; Nos 5, 6, 1982.

undermining by the monopolies and state-monopoly regulation of commodity production and free competition and, on the other, they are convincing testimony to the fact that monopoly and state-monopoly forms of the socialization of production cannot supersede the old forms and form, as Lenin defined it, a superstructure over the old capitalism, existing alongside it and above it, and inevitably engender particularly acute and severe contradictions and conflicts.

The contradictions of capitalist reproduction have been manifested particularly noticeably in recent years in the acute crisis situations in the monetary-credit sphere. The ubiquitous inflation and the exposed groundlessness of the measures of state regulation of the internal monetary circulation of the capitalist countries, the increased strain in the private finance sphere, the increased instability of currency exchange rates following the collapse of the Bretton Woods system and the obvious excessive strain of world financial relations as a result of the huge growth of the indebtedness of many, primarily developing, countries--such are the most distinctive features and development trends of this sphere converting it in accordance with a feedback system into an important and independent factor of disruptions and crises in the course of the circulation of social capital.

The particular relevance of a study of the intricate set of problems of the development of capitalism's currency-finance system is connected with the fact that the changes in this sphere directly affect the foreign economic interests of the USSR. It is necessary not only to recognize the fact of the collapse of the gold standard but also theoretically reveal the nature of the effect of the law of value under the conditions of the functioning of paper-credit currencies and at the same time provide a fuller description of the regularities which today control the movement of the market price of gold.

The evolved economic situation in the capitalist world has revealed particularly distinctively both the objective need for the transition internationally to a new level of socialization and a new structure of production corresponding to the current stage of the scientific-technical revolution and also the limits which the domination of capitalist relationships puts on this process.

The institute's works have investigated to a considerable extent many new forms of the socialization of capitalist production brought about by the widespread scientific-technical revolution and connected, inter alia, with the conversion of science into a direct production force, the formation of functional economic complexes, the new role of education and health care and the increased interdependence of the production and nonproduction spheres of the economy. An important conclusion was drawn concerning the expansion of the field of application of productive labor.

Particular attention has been paid to an analysis of the international nature of the process of the socialization of labor in the postwar period. The regularity of the preferential growth of foreign economic relations compared with domestic economic development (on the basis of a sharp increase in the internationalization of production under the conditions of the scientific-

technical revolution, including the growth of international specialization and cooperation and the development of integration processes) has been revealed, and the very strong dependence of the capitalist countries' national economies on the external market has been emphasized.

Great attention has been paid to an analysis of the new features in the intensification of the international division of labor within the framework of the capitalist economy and the place of the main centers of imperialist rivalry and also the developing countries within the framework of the said system of the division of labor. A number of specific conclusions has been drawn on this basis concerning the new forms of interimperialist contradictions, the increased significance of the young states in many spheres of modern world economic relations and the paths of the democratic reorganization of international economic relations.

The increasing significance of a number of global problems is also connected with the increased socialization of production on a world scale and the development trends of the world economy. Study of the political-economic content of these problems is only just unfolding. The elaboration of theoretical categories reflecting most accurately the essence of the global problems confronting mankind and a study of the specifics of their manifestation under capitalism lie ahead.

The transition of capitalist production to a qualitatively higher level of its socialization inevitably entailed an intensification of the main contradiction of capitalism, which ultimately forms the basis of the noted sharp deterioration in the general conditions of capitalist reproduction. Furthermore, study of the specific forms of the exacerbation of the main contradiction of capitalism is not only a question of great theoretical significance. It is also of considerable practical importance from the viewpoint of the economic and political interests of the socialist countries. A comprehensive study of the key theoretical problems of capitalist reproduction, cycles and crises and social and class changes in the capitalist countries in their close linkage with an analysis of the development of the revolutionary process and international relations merits the most serious attention.

The destabilization of capitalism in the 1970's-1980's shows, first, that the fundamental feature thereof is the relative overaccumulation of capital, that phenomenon typical only of this system whereby on the one hand the limited nature of consumption by the working strata of the population and mass unemployment and, on the other, surplus capital not only are neighbors but also condition one another, and second, that the partial plan-conformity exercised by the monopolies within their own associations, monopoly control over individual markets and the bourgeois state's attempts to introduce organizing principles to the regulation of the capitalist economy are suffering obvious failure.

The formation of the prolonged relative overaccumulation of fixed capital is leading to its depreciation and the decline of the profit norm. It appears important in this connection to pay greater attention in our research to the need for the further creative development and concretization of K. Marx's



ideas on this problem in order to ascertain in greater depth the interconnection of the processes of the depreciation of capital and the movement of the profit norm with economic crises.

The relative overaccumulation of capital is connected with such phenomena as the lagging of personal consumption behind the growth of production and the accelerated obsolescence of capital as a result of the scientific-technical revolution and the acute structural changes in the international division of labor. In the postwar period the first symptoms of the prolonged nature of the overaccumulation of capital were revealed at the end of the 1960's, when the intensive capital investments in the preceding period led to the growth of the organic structure of capital and the factors counteracting a reduction in the profit norm failed to halt a certain decline therein. However, the decisive role in the formation of the relative overaccumulation of capital in the 1970's was performed by two revolutions in production conditions connected, as mentioned, first, with the exacerbation of the problem of the capitalist use of nature and with structural crises and, second, with the new stage of the scientific-technical revolution which had begun. Thus as a result of this the structure of accumulated capital in the 1970's proved to be in profound contradiction with the increase in prices of the basic types of resources (particularly energy). The majority of large-scale and capital-intensive innovations of the 1960's was of an energy-intensive nature. For this reason in a short time the support process encompassed an appreciable proportion of the fixed capital invested in energy-consuming technology.

The structural reorganization of production on the basis of the development of the science-intensive sectors which has begun is also being accompanied by the relative depreciation of accumulated capital, particularly in a number of basis sectors. The intensifying competition on the part of labor- and resource-consuming works created by international monopolies in the group of industrializing developing countries is operating in this direction. And, furthermore, all these changes and shifts are proceeding extremely unevenly in terms of individual countries, sectors and industrial associations, sharply increasing thereby the pernicious consequences of the international competition of capital.

The relative overaccumulation of fixed capital and the reduction in the profit norm could not have failed to have exerted a tremendous negative influence on the entire reproduction process of capital. The underloading of production capacity, mass unemployment, increased economic uncertainty, the risky nature of long-term investments and the inadequate investment process are connected most closely with these phenomena (in actual fact, what large-scale investments can there be a question of, say, currently for the U.S. steel monopolies, when their available capacity is being used only 30 percent). The serious weakening of the investment process, in turn, predetermined the slowing of technical progress and a decline in the labor productivity growth rate. As a result monopoly capital has encountered considerably constricted opportunities both for its self-growth and for social maneuvering.

Taking advantage of its economic might, monopoly capital is endeavoring to impede the process of the depreciation of capital and reduction of the profit

norm at the expense of the broad working people's masses. An increase in monopoly prices, which has become a principal cause of the inflationary rise in the cost of living, and also the official policy of tax privileges, accelerated depreciation rules and so forth are being effected to this end. However, such practice cannot halt the said changes in the process of the reproduction of capital and for this reason entail an intensification of the economic crises.

The historically limited nature of capitalism as a production mode based on private ownership is thus laid bare as clearly as can be in periods of abrupt changes and shifts in social production and the entire system of the capitalist international division of labor, when the subordination of production to the goals of acquisition come into acute-conflict and prolonged opposition to the social requirements of economic development.

Economic crises and the general deterioration of the conditions of capitalist reproduction thus point eloquently time and again to the fact that modern social production demands other development goals not fettered by the narrow limits of monopoly profit and that it is in need of plan-based management, and not only within the national framework of individual countries, furthermore, but on an international scale. Capitalism squeezes the process of the socialization of production into the narrow framework of monopolization of the economy. However, the limited nature of partial plan-conformity within the framework of monopoly associations and the subordination of economic development to the narrow selfish interests of both national and, particularly, international monopolies entail huge losses for the national economy of capitalist countries and an intensification of the destructive forces of competition. It is not pure monopolies but monopolies alongside exchange, the market, competition and crises which form, as V.I. Lenin showed, an appreciable singularity of imperialism. And the most striking example of this is the economic and political activity of the international monopolies.

Currently an important part is being played by new phenomena in the concentration of production and capital, new correlations of small, medium-sized and large-scale enterprises are taking shape and new forms of competition are moving to the forefront. Considerable changes are occurring in the structure of monopoly capital: some groups of finance capital are losing their positions, others, primarily connected with the new sectors, are moving to the forefront. The changes in the system of finance capital in the United States and other NATO countries are also connected with the considerably enhanced role of the military-industrial complex.

New trends can be traced in the export of capital. An analysis of the new forms of the export of capital and the changes in the sphere of their application should, as before, be at the center of Marxist studies of present-day imperialism. Particular importance is attached to a study of the gigantically increased role of the international monopolies as the most important and typical economic capitalist associations, the new forms of struggle against them and their attempts to redivide the main regions of the world capitalist economy. A particular role in the capitalist world is performed by the American transnational corporations. They are the main force of present-day

neocolonialism. The present aggressive policy of the United States also is currently connected with their "global" interests to a considerable extent. What is new in the development of finance capital currently--and this should be emphasized--is the emergence of transnational industrial-banking complexes and the active formation of international finance groups.

### III

Capitalism also adapts to the growing socialization of production by way of the extension of the economic functions of the bourgeois state. Highly developed state-monopoly capitalism with a ramified system of regulation has taken shape in the capitalist countries in the postwar period. Works of the institute have analyzed the profoundly contradictory nature of the state-monopoly form of socialization of production, which, although it does rise above the old forms of capitalist socialization, does not change the goals and motives of capitalist production. The main economic function of the bourgeois state remains providing the economic conditions for finance capital to derive monopoly profit. And the spontaneous forces of competition today, like before, exclude plan-oriented forms of the effect of the economic laws of capitalism. At the same time, however, the development of state-monopoly capitalism ultimately undermines the supports, of private monopoly ownership of the means of production, demonstrates the historically transitory nature of this ownership and creates the material basis for socialism. This explains to a considerable extent the fact that monopoly capital endeavors to limit the economic role of the bourgeois state.

State-monopoly capitalism exacerbates to an extreme extent the contradiction between the handful of monopolists and the overwhelming majority of the working population experiencing its oppression. At the same time, however, the bourgeois state, while possessing relative independence and being a target of the pressure of the antimonopoly forces, primarily the organized workers' movement, is forced to adopt measures to regulate and limit the negative consequences of monopoly domination. The contradictoriness of the nature of state-monopoly socialization predetermines the inevitability of the manifestation of antagonistic trends in the bourgeois society in connection with such questions as the limits of the power of the state, the correlation of the private and public sectors and the scale and forms of state regulation of the economy and social relations. It ultimately conditions the diversity of national system of the state-monopoly capitalism and the differences in the immediate goals and methods of the domestic and frequently foreign policy of the imperialist states.

Whereas in the 1950's-1960's state-monopoly regulation with the help of redistribution of the national income stimulated private capitalist accumulation and contributed to the strengthening of the social base of the ruling class, in the 1970's it became obvious that both the strategy and methods of the state-political regulation which had evolved on Keynesian prescriptions had ceased to correspond to the new economic conditions of the development of capitalism.

The old system of regulation had been undermined basically by two factors.

First, state-monopoly regulation limited by the national borders of individual countries proved incapable of adapting its economy to the new conditions of reproduction, to the structural reorganization of the world economy which had begun, to the new level of internationalization of capitalist production and to the new conditions of the accumulation of capital, which are increasingly dependent on external circumstances. The "sovereign" territory of individual Western states became, inter alia, an arena of the uncontrolled economic activity of its own and others' international monopolies. There was a new intensification of the contradictions between the narrow possibilities of state-monopoly regulation, both on a national and, particularly, international scale, and the objective requirements of the plan-oriented development of modern production and between the interests of the state-monopoly capitalisms of individual countries and the selfish activity of the international monopolies and the requirements of the development of the world capitalist economy.

Second, the methods of state-monopoly regulation of the economy also proved groundless under the conditions of the stagflationary development of capitalism. The methods of the state's anticrisis influence on the course of business activeness (lowering of the discount rate, increasing state spending, reducing taxes and so forth) proved incompatible with the measures of anti-inflationary policy (an increase in the discount rate, reduction in state spending, an increase in obligatory bank reserves and so forth).

For the purpose of overcoming the negative phenomena in the economy as of the end of the 1970's ruling circles of the capitalist countries began a feverish search for new ways and methods of state-monopoly regulation. The emergence of two considerably different approaches to the question of the ways of overcoming economic difficulties are the result of this search. They may provisionally be called conservative and reformist (the first prevailed in the economic policy of Britain and the United States, the second in France, Sweden and Greece).

The choice of path by which circles of this country or the other are attempting to "modernize" and adapt the system of state regulation to the realities of the present-day depends on many socioeconomic and historical circumstances, but decisive significance here is attached to the correlation of class forces and the political organization of the workers movement.

The conservative approach in economic state policy gained the upper hand in the capitalist countries where the most rightwing political forces are in power and where, taking advantage of the weakness of the workers movement, the bourgeoisie has been able to openly switch to the offensive against the economic, social and political positions of the working people's masses. The theoretical postulates of conservatism, which are drawn from the arsenal of the neoclassical school of bourgeois political economy (primarily its monetarist school) are oriented toward "free" private enterprise and the market mechanism of competition. In this connection state interference in the economy is limited and the course thereof is changing appreciably. Pride of place is given to the task not of reducing unemployment but of combating inflation; there is a considerable reduction in state social spending on the pretext of economies. At the same time, however, military spending is increasing sharply. Conservatism is avowedly gambling on the use of unemployment

as a means of "labor discipline" and limiting inflation. It is only in these spheres that it has achieved certain results: there has been a reduction in real wages and a lowering of the rate of inflation in both the United States and Britain.

The economic policy of conservatism is creating a favorable atmosphere for the monopolies' offensive against the positions of the working class. To tighten antiworker and antidemocratic domestic policy the ruling circles are also employing unconcealed aggressiveness in foreign policy and a policy of abandoning detente.

Experience shows that conservatism is fraught with the risk of a sharp exacerbation of the contradictions of capitalism and does not afford prospects for genuine "economic recovery". Thus the economic policy of the U.S. Republican Administration (so-called Reaganomics) is obviously failing. Its components have proved incompatible and its results lamentable. The promised "enlivening" of the economy has not occurred. The destabilizing impact of concentrated military spending and large-scale arms production programs on the capitalist economy has been manifested distinctly, and not only in the long term but in the short term also, furthermore. The role of militarism not only as a stimulator of inflation but also as a factor of economic stagnation and the growth of unemployment has now been laid bare as forcefully as could be.

State-monopoly regulation in France is being developed in a different direction. Here reformist forces in the shape of the socialists are attempting to tackle the acute economic and social problems not on the path of limiting but expanding the public sector and increased state control in the economy. Combating unemployment and reducing income disparity is proclaimed as the main task here. Thus upon taking office the French socialists, with the support of the communists, implemented a number of measures of a social nature, completed the state takeover of the banking system and nationalized a number of industrial monopolies, which created certain opportunities for more active and purposeful state influence on the economy. But it is as yet too early to speak of the results of this policy. Unemployment remains high, and the rate of inflation is measured in double digits, as before. The partner in the "mixed economy"--private capital--is in no hurry to support the reformist plans, despite the measures adopted by the French state to stimulate its investment activeness.

Finally, a few words about the Japanese approach to the choice of path of development of state regulation under the present, changed conditions of world economic development. It is difficult to classify from the viewpoint of fundamental bourgeois theoretical concepts (neoliberal goals of private capitalist enterprises get along easily with the recognition of the important role of state financing adopted from the Keynesians and a set of monetarist means in combating inflation is the neighbor of the Keynesian cheap credit policy). This path is a typical product of bourgeois pragmatism, although conservative trends have been manifested increasingly distinctly therein recently. However, the main distinguishing feature of Japanese state-monopoly regulation is its thrust toward the solution with the aid of state financing of long-term technological and structural problems. This is, perhaps, a

"secret" of the Japanese economy's relatively successful adaptation to the new conditions of the world market. However, it is hardly to be expected that Japan will continue to succeed in tackling the problems of the sale of its products thanks to foreign economic expansion with relative ease. Currently both the American and West European imperialisms are adopting tough measures to stop the offensive of Japanese goods on their markets. The exacerbation of interimperialist contradictions and growing protectionism are confronting Japanese capitalism with complex tasks of maintaining the positions it has achieved in the world economy.

The evolution of the system of state-monopoly regulation following the 1974-1975 crisis shows that it is not a question of the bourgeois state's abandonment of intervention in the economy, as the ideologists of "pure capitalism" maintain, but of a profound transformation of the forms of this intervention and of adaptation of the specific goals and methods of state regulation to the changed situation. Modern capitalism, like the capitalism of the past, is forced to reckon with the contradiction between the growing level of socialization of production and the private capitalist form of appropriation and forced to take account of the demand of the modern production forces and treat them as social forces. At the same time, however, the new attempts on the paths of increased state intervention to find methods of the effective "plan-based" regulation of the private monopoly economy also convincingly show again and again that the plan-oriented development of the production forces is really only possible on the basis of public ownership of the means of production.

At the same time it should be emphasized that it is by no means a matter of indifference to the working people of the capitalist countries and the countries of victorious socialism by which paths the further adaptation and reorganization of state-monopoly regulation proceed. This is why under these conditions particular importance is attached to the exposure of conservative and reactionary concepts serving as the justification for a rightwing-conservative shift in the economic policy of the imperialist countries and their aggressive policy in international relations.

A kind of cumulative effect of this new development is the considerably increased role of mass democratic movements, primarily the antiwar movement. The scale of this movement is now unprecedented. It expresses the growth of the general role of the people's masses in social development, which is a consequence of the above-mentioned changes.

However, we cannot fail to see the fact that broad strata of the working people have become a part of the workers movement which have not attended the stern school of class struggle and which frequently do not recognize themselves as being an organic part of this class. This has led to a certain increase in political differentiation in the working people's environment and the workers movement. It should be added here that the aggravated socioeconomic contradictions are far from always leading to an explosion of class confrontation. Under the conditions of mass unemployment the fear of losing one's job often leads to a weakening of collective actions and, in particular, to a reduction in the level of the strike struggle. "The tendency of



imperialism to split the workers and intensify opportunism among them" which was noted by V.I. Lenin increases under these circumstances.

The exacerbation of the socioeconomic contradictions of capitalism to which we are witness does not automatically lead to a stimulation and strengthening of the influence of the forces of the left.

Under current conditions, when the role of subjective factors increases particularly sharply, great significance for the communist movement is attached to the elaboration of a democratic alternative to state-monopoly capitalism and the economic and social policy being pursued by the ruling classes. And complex problems confront us in the elaboration of the scientific substantiation of this alternative. At each given moment, depending on the economic situation and the organization and political consciousness of the masses, there exists a definite interconnection between the working people's struggle for the immediate interests of the present day and the struggle for fundamental transformations of the capitalist system. It is very important here from the viewpoint of a political economy analysis to theoretically develop such major problems of democratic programs as the paths, forms and methods of limiting the power of the monopolies, particularly the transnational monopolies; development of forms of planning and forecasting under the conditions of the democratization of bourgeois society; stimulation of the economy and an increase in employment; and the possibilities of the solution of social problems by way of the switching of military spending to peaceful purposes.

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## U.S. MILITARY, ALLIANCE POLICIES IN PACIFIC REGION ASSAILED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
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[Article by N. Fedulova: "U.S. Policy in the Asia-Pacific Region"]

[Excerpts] Washington's general military-political goals are reflected most directly in its Pacific strategy and policy. Their purpose is to strengthen and expand American "positions of strength" in the Asia-Pacific region and establish here--under the flag of anti-Sovietism--American leadership. In this sense this region's strategic importance in the eyes of Washington politicians is growing increasingly.

It was not fortuitous that the increase in the numbers of American servicemen abroad in 1981-1982 of 40,800 men occurred primarily thanks to the buildup of the troop contingent in the Asia-Pacific region (by 23,100). Currently the armed forces stationed here number 147,500 men, and the personnel of the 7th Fleet, which is stationed in the Pacific, was increased by 17,500, furthermore, and by the start of 1983 had risen to 33,000 men.\* All this is being inscribed in Washington's general policy of ensuring American superiority at sea.

And it is not only a question of quantitative growth but also of a considerable modernization of the navy. The 7th Fleet, which patrols the Western Pacific, represents a powerful military grouping, including an aircraft carrier, submarines with nuclear weapons on board, naval aviation, support ships and so forth. The equipment of the ships with cruise missiles capable of carrying both conventional and nuclear warheads has begun, and the further deployment of American nuclear missiles is under way. The 7th Fleet already incorporates the modernized "New Jersey" battleship, which carries Tomahawk cruise missiles. In the mid-1980's naval aviation will be armed with the latest B-1B strategic bombers.

In addition to the navy, which has permanent bases on Guam and other Micronesian islands and also in Japan and the Philippines, the United States

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\* See U.S. NEWS AND WORLD REPORT 28 December 1981-4 January 1982, pp 44-45; 27 December 1982-3 January 1983, pp 46-47.

maintains large-scale air and army formations in the region whose personnel numbers 51,000 men in Japan, 39,200 in South Korea and 14,200 in the Philippines.\* In addition to the presence of large-scale military forces the Pentagon has in the region various centers for controlling the movement of ships and aircraft and radar reconnaissance and space tracking stations. Such military facilities are located in Northeast and Southeast Asia, on islands of Micronesia and on Australian territory.

The American troops stationed in Northeast Asia (South Korea, Japan and the 7th Fleet ships in the Far East) are so-called forward-basing forces in the global military confrontation, primarily with the USSR. Of particular importance to the United States is its military presence in Japan (including Okinawa), which is of a multipurpose nature. The biggest bases of all arms of the service--naval, air and navy--in the Asia-Pacific region and also oil dumps, ship-repair yards, ammunition dumps, radar reconnaissance and communication centers and other combat support services are located here. U.S. troops in the Philippines are called on to control the situation in Southeast Asia and the southern Pacific. Guam and other Micronesian islands are the fulcrum of the American naval presence in the Pacific as a whole. Not only large-scale combat forces are stationed here; there are nuclear and chemical weapon dumps and ballistic missile tests are conducted. Flouting the rights of the indigenous population of Micronesia, Washington is attempting to consolidate American domination on the islands in order to continue to use their territory for its strategic needs.

Washington attaches particular significance to the closest coordination of its militarist activity in the Pacific and Indian oceans within the framework of a single military-strategic system. A tremendous role in this respect is assigned the naval and air base on Diego Garcia, which is capable of taking and servicing nuclear submarines and strategic bombers. The base is regarded as the center of the American military presence in the Indian Ocean and at the same time as the main staging post in the event of a transfer of armed forces and equipment from the Pacific to the Near East and Persian Gulf. The creation in the United States as of 1 January 1983 of a new Central command (Centcom), within whose range a large part of the water expanse of the Indian Ocean falls, is not a purely organizational measure. The structural reinforcement of the American armed forces in this region is an important step aimed at the further strengthening of the United States' global military-strategic system.

The increase in the militarist activeness of the United States and other imperialist powers in the Indian Ocean creates a threat to all the littoral states and is forcing them to adopt retaliatory measures and build up their own defense potential, which is leading to a further complication of the situation in this part of the world. During her visit to Washington in the summer of 1982 I. Gandhi, head of the Indian Government, deemed it necessary

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\* See U.S. NEWS AND WORLD REPORT 28 December-4 January 1982, pp 44-45; 27 December-3 January 1983, pp 46-47.

to declare that the United States was undermining India's security by supplying arms to Pakistan and increasing its military presence on Diego Garcia. Back in 1970 Sri Lanka put forward a proposal concerning the conversion of the Indian Ocean into a zone of peace. This proposal was directly supported both by the countries concerned and broad international circles: a year later it was approved by the UN General Assembly. In spite of the manifestly obstructionist policy of the United States, which is aimed at torpedoing the corresponding negotiations, the Soviet Union and other states of the socialist community are struggling actively and consistently for the practical realization of this idea.

## II

To justify the militarist preparations, particularly in the Asia-Pacific region, Washington is spreading the myth of the "Soviet threat" to Asia and "Soviet penetration" in Southeast Asia allegedly being effected via an "agent" in the form of the Socialist Republic of Vietnam. An attempt to formulate the principles of the United States' present Asia-Pacific policy was made by Undersecretary of State W. Stoessel 3 months after the assumption of office by the Reagan administration. It amounted, however, to hackneyed phrases concerning the "strategic challenge" with which the Soviet Union and Vietnam are allegedly presenting the United States in Southeast Asia. "This challenge," Stoessel claims, "is of a global nature, and what we are doing in Asia coincides with what we are doing all over the world."\*

Having recovered from the "Vietnam shock," at the end of the 1970's the United States stepped up its interference in the affairs of Southeast Asia. Considerable hopes here were linked with the policy of China, which proceeded toward an exacerbation of the confrontation with socialist Vietnam and then unleashed armed operations against it. Under these conditions Washington strategists believed that the correlation of forces in Southeast Asia was changing in a direction favorable to the United States and that they now no longer needed to take account of the new international realities which have taken shape here since the American defeat in Vietnam and could take their revenge for it.

The U.S. Administration is continuing diplomatic and economic pressure on Vietnam. The U.S. military command is carrying out demonstrative swoops and maneuvers by ships of the 7th Fleet in the South China Sea and increasing the troop contingent in the Philippines (by 1,100 men in 1981). This policy of pressure, J. Holdridge, undersecretary of state for East Asia and the Pacific, declared, will continue until "Vietnam changes its policy,"\*\* that is, renounces fraternal assistance to the Kampuchean people and, on a broader plane, alliance with the USSR and the other socialist community countries.

While verbally making hypocritical statements to the effect that the United States would not want a return to power of the bloody Pol Pot regime

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\* THE DEPARTMENT OF STATE BULLETIN June 1981, p 33.

\*\* THE DEPARTMENT OF STATE BULLETIN October 1981, p 37.

Washington officials are in practice giving the utmost assistance to the remnants of Pol Pot bands which have settled in Thailand on the border with Kampuchea. The so-called coalition government headed by Sihanouk, which was formed from reactionary groupings of all stripes with the direct participation of the United States, also includes representatives of the Red Khmers, who pursued a policy of genocide with respect to their own people.

Attempting to impede positive change in Southeast Asia, the White House is actively enlisting its main Asian ally--Japan--in the struggle against the forces of socialism and national liberation in the region. This country, which has extended its political and economic expansion in Southeast Asia considerably in recent years and which is concerned to preserve and strengthen the positions of imperialism as a whole here, is readily meeting its overseas partner's wishes half-way. Adhering to an evaluation of the Indochina events of the end of 1978 and the start of 1979 common to that of Washington, Tokyo imposed economic sanctions in respect of Vietnam and froze commodity supplies on the basis of loans and credit, agreement on the granting of which had been reached earlier. In the guise of so-called assistance to Indochina refugees support is being rendered the Pol Potites based on Thai territory. Japan is also participating extremely actively in the campaigns in connection with the so-called Kampuchea question inspired by the United States.

Washington is endeavoring to tie the ASEAN states (Thailand, the Philippines, Indonesia, Malaysia and Singapore) to the anti-Vietnam campaign and influence their position in the United Nations. Efforts are being made to indoctrinate the leading figures of these states. The above-mentioned Holdridge stated, for example, the administration's firm intention of relying on the ASEAN countries in its policy of "restraining" Vietnam. A gamble is clearly being made on extending these states' confrontation with Vietnam, Laos and Kampuchea. The Reagan administration has resumed military assistance to the Southeast Asian countries incorporated within the orbit of the capitalist world (only Thailand and the Philippines remained recipients thereof under Carter). The main issues raised by the American side in the course of the "United States-ASEAN" dialogue, which was conducted in March 1982 in Washington, were the notorious "Kampuchea question" and the "problem of Indochina refugees". Meanwhile problems of trade and the economic and scientific-technical cooperation of the United States and this group of developing countries, with which this forum was officially intended to deal, remain unresolved in practice. The ASIAN representatives expressed sharp discontent with American trade policy, which limits export possibilities and, particularly, complicates tin and sugar exports. They condemned the U.S. position in the international banks, which has made access to sources of foreign financing difficult for them and complicated their economic development. The meeting of ASEAN economics ministers in November 1982 noted that as a result of the protectionist policy of the United States, Japan and the West European countries there had been an appreciable decline in the export proceeds of the association's members and a rise in foreign debts, which by the end of the year had risen to a total of \$65.7 billion.

The main purpose of C. Weinberger's trip to Pacific countries (Singapore, Thailand, Indonesia, Australia and New Zealand) in November 1982 was to

consolidate these states' military efforts and set them against the Soviet Union and Vietnam. Intimidating the partners in the negotiations with the Soviet "military threat," the U.S. defense secretary demanded a further increase in their military spending (which had almost tripled since the end of the Vietnam war as it was) and attempted to persuade the ASEAN members to agree to military cooperation with one another on a multilateral basis, that is, to the conversion of their organization into a military bloc.

Particular attention is being paid to the stimulation of American-Thai military cooperation. Using Thailand as a beachhead for armed provocations against Kampuchea, the Pentagon is increasing military assistance to it and persistently supplying arms. Military assistance to Bangkok in 1983 is to constitute \$201 million, which is several times more than the amount allocated for it for this purpose at the height of the Vietnam war. There is the threat of a revival of the United States' military presence in Thailand, which, as is known, was wound down following the failure of the American intervention in Indochina. During a visit to the country in January 1983 J. Vessey, chairman of U.S. Joint Chiefs of Staff Committee, discussed concrete plans for the deployment of regional arms dumps in Southeast Asia in the event of "extraordinary circumstances arising." It was simultaneously a question of a return to the American command of its former bases on Thai soil, which as yet remain mothballed. In addition, Washington regards Thailand as a conduit of its policy and influence among the remaining ASEAN states. This applies to the shaping of their position in respect of the Indochina countries, the attempts to nudge them onto the path of accelerated militarization and their enlistment in participation in American-Thai military maneuvers.

Endeavoring to tie the Asian countries more closely to its imperialist policy, Washington would like to enlist them in a new regional grouping--a Pacific community--whose participants, besides them, would be the United States, Japan, Canada, Australia, New Zealand and also South Korea. This idea, which was originally put forward by Tokyo, has recently acquired new life inasmuch as the U.S. leaders have discerned in it the possibility of uniting the efforts of the imperialist states and developing countries of the region for counteracting world socialism and the national liberation movement. A practical step en route to the realization of this project was the creation of the Pacific Democratic Alliance for the formulation of a common policy line with respect to regional problems; it included representatives of the ruling parties of the United States, Japan, Australia and New Zealand.

The question of a Pacific community was discussed during C. Weinberger's talks in Tokyo, Seoul and Manila and then during those of U.S. Vice President G. Bush in Japan, Australia and New Zealand in the spring of 1982. Japan's ruling circles remain zealous champions of the plan. Arriving in Honolulu following a tour of Southeast Asian countries, in June of the same year its prime minister appealed for the "mutual cooperation of Pacific states" for the 21st century to be the "Pacific era". Emphasizing the special role of the United States in "maintaining stability in the region," the Japanese prime minister made it understood that his country intended to act as its principal ally in the "mutual cooperation" process. Two months later the South Korean regime put forward an official proposal for the convening of a conference of leaders of the 11 proposed participants in the "Pacific community" which would initiate its creation. As far as the ASEAN countries are concerned, they are experiencing entirely justified fears of ending up in a position of rigid

neocolonial dependence on the imperialist powers and for this reason are in no hurry to become the "junior partners" of the American and Japanese monopolies and a blind instrument of imperialism in Southeast Asia.

### III

Washington's candid confirmation of the principle of the dominance of strength in international relations has also been reflected in its approach to its allies in the Asia-Pacific region. Representatives of the present administration harp on about the fact that the United States, which possesses the necessary economic, technological and military potential, is primarily responsible for the preservation of the capitalist system. The "productive partnership" slogan advanced by Washington presupposes an increase in the share of America's allies' participation in the strengthening of imperialism's military-political positions with a simultaneous increase in their dependence on the United States.

It is in this key that American-Japanese relations at the current stage should be regarded. The White House is not stinting in assurances that the alliance with Tokyo is assigned a special place in its foreign policy calculations. "Our relations with Japan," W. Stoessel declared, "are not only the cornerstone of our policy in Asia but the closest and vitally important relations in our global alliance structure."\* American Ambassador in Tokyo M. Mansfield calls them the most important bilateral relations in the world.\*\* The head of the State Department and R. Reagan himself express themselves in the same spirit.

At the same time, considering Japan's dependence on the American "nuclear umbrella," Washington is attempting to derive the maximum benefits from the American-Japanese Security Treaty. The United States not only uses the territory of Japan for the stationing of its armed forces but also receives payment from it for their upkeep. As of the present the amount allocated by Tokyo for this purpose has risen to \$1 billion a year. Washington is also insisting on an increase in Japan's economic assistance to America's allies in Asia, primarily South Korea.

As recent events have shown, the United States has largely succeeded in its efforts aimed at compelling its partner to alter its policy of renouncing arms exports as "not conforming to the nature of allied relations." This question was first raised at talks between the leaders of the two states' military departments in June 1981. Referring to the fact that the United States had over a long period supplied Japan with military equipment, C. Weinberger declared that now "this exchange should be of a bilateral nature." The Pentagon wishes to gain access to advanced technology (microcomputers, integrated circuits of superhigh accuracy, microwave radio receivers and so forth), which would be used in the military sphere, particularly for guiding American intercontinental missiles. Washington politicians are thus endeavoring to relieve themselves of a considerable part

\* THE DEPARTMENT OF STATE BULLETIN June 1981, p 34.

\*\* See Ibid., April, 1982, p 58.



of the expenditure on the development of the most intricate technology and at the same time to involve Tokyo even more deeply in its military-strategic system.

In January 1983, on the eve of Prime Minister Yasuhiro Nakasone's visit to Washington, his government, considering the "special relations" with the United States, authorized, contrary to the spirit of Japan's constitution, the delivery to it of innovations of its technology (the American command has already requested from the Kawasaki [dzyukogio] company a license for the production of antitank missiles guided with the help of a laser beam). Furthermore, as was officially explained subsequently, military technology will be passed on even in the event of the United States being a participant in an armed conflict.

At the same time, however, Washington is continuing to insist on Japan's accelerated rearmament, and this demand acquires a new and highly ominous meaning at the present time, furthermore. It is a question of far-reaching plans for expanding the functions of Japan's armed forces. The Reagan administration is putting increasing pressure on its partner for the purpose of achieving its participation in patrolling the sea and air space of the Western Pacific north of Guam and the Philippines. The White House states plainly that having shifted to Japan's Self-Defense Forces part of the operational tasks of the 7th Fleet and the U.S. Army, the United States will acquire the opportunity to increase its military presence in the Near East and in the Indian Ocean. As a principal argument in support of their demands the head of the Pentagon and other official Washington representatives use the statement of Japanese Prime Minister Z. Suzuki during his talks with Reagan in May 1981 that his country is ready to assume the defense of the sea lanes to a distance of up to 1,000 nautical miles from the Japanese coast. In the course of an American-Japanese consultative meeting on security held in September 1982 in Honolulu an understanding was reached on the practical implementation of this plan.

The new Japanese Government has not only fully confirmed this commitment but gone further than its predecessors on this question. As became clear in the course of the present prime minister's above-mentioned visit to Washington, the Japanese Self-Defense Forces are currently being confronted with the task of "wholly and fully controlling the straits washing the Japanese islands" (Laperousse, Sangar and Korean). Subsequently addressing the country's parliament (24 January), Nakasone declared the said straits "part of Japan's defense sphere" and 10 days later made a no less important statement to the effect that in the event of war Japan must be ready to ensure the "defense" of American warships not only in Japan's territorial waters, as had been established earlier, but on the open sea. Not surprisingly, this initiative met with complete approval in the American capital.

The United States proceeds from the fact that if Japan undertakes to perform specific military tasks, it itself, without outside pressure, would be forced to increase arms spending. The question of an increase in the military items of Japan's budget, which for many years has been a subject of bargaining between Washington and Tokyo, would be settled of its own accord. The U.S.



command reserves the right here to evaluate the Japanese forces' capacity for performing the functions entrusted to them and on this basis make specific recommendations with respect to an increase in the combat might of the ally's naval and air forces.

Since 1976 the military commands of both countries have been drawing up plans for joint combat operations of the Self-Defense Forces and the American armed forces stationed in Japan, and there has been close linkage of the activity of the staffs and also intelligence services of the two sides. A system of communications between Japan's National Defense Agency, the Pentagon and the U.S. Pacific Headquarters on the Hawaiian Islands is being created. In openly talking about the deployment of nuclear weapons for the preparation of a theater of military operations not only in West Europe but also in East Asia Washington is attempting increasingly persistently to involve Tokyo in its nuclear strategy. The Z. Suzuki government secretly sanctioned the storage of nuclear weapons at American bases and calls at Japanese ports of ships of its ally carrying nuclear weapons. In the fall of 1982 it consented to the deployment at the Misawa base of the latest American F-16 fighter bombers, which are capable of carrying nuclear weapons. The Japanese Cabinet headed by Y. Nakasone officially sanctioned the use of the country's ports by American nuclear aircraft carriers and other ships capable of carrying nuclear weapons. This decision, which was adopted on 8 February 1983, followed immediately after the visit of Secretary of State G. Shultz (31 January-1 February), who discussed in the Japanese capital questions connected with the deployment in East Asia of intermediate-range nuclear missiles, including cruise missiles on ships of the 7th Fleet. In the course of the negotiations Nakasone stated plainly that he would continue to support Washington's nuclear strategy. It is obvious that the breach of the "three nonnuclear principles," that is, undertakings not to create, not to acquire and not to import nuclear weapons, is undermining the foundations on which the postwar concept of Japan's security has been built and runs counter to its true national interests.

American policy-makers are hatching plans to turn the American-Japanese alliance into some image of NATO in the Far East and wish to pull Japan into the plans and operations of the North Atlantic bloc. A Pentagon directive says that the United States must "transform our relations with Japan into an active military partnership in which this country considerably increases its defense potential." The strengthening of the "eastern link" of the global imperialist system of aggressive alliances and blocs will make it possible, the White House believes, to strengthen the United States' strategic positions. During his trip to Washington Nakasone assured his partners that he would endeavor to unify the structures of the American-Japanese military alliance with NATO, emphasizing that Japan "will share the fate" of the Atlantic Community.

The policy of the present Japanese leadership, which is aimed on the one hand at consolidating the alliance with the United States and, on the other, at the accelerated buildup of its own military might, fits into Washington's plans perfectly. Delivering a program statement immediately after his assumption of office, Nakasone emphasized: "Our basic position on the question of security consists of upholding the Japanese-American agreements in this sphere

and attempting to achieve a high level of defense potential."\* The latest 5-year program of the modernization and development of the Japanese armed forces, which was adopted in August 1982, focuses the main attention on an increase in the combat might of the navy and air force, which fully corresponds to the Pentagon's demands. According to the program, military spending in 1983-1987 will amount to 16 trillion yen, that is, will have increased 70 percent compared with the preceding 5-year period. Appropriations for military needs here in the current year will be 6.5 times higher than in the previous year.

It is becoming increasingly obvious that Japan is experiencing a qualitatively new stage in the evolution of its postwar policy. The present prime minister does not conceal his extremely nationalist standpoint and is campaigning for the creation of a more powerful military machine. Nakasone's statement during the talks in Washington concerning his intention of turning the Japanese islands into an "unsinkable aircraft carrier," which caused a storm of protest in the country, testifies that militarist trends in Japan's ruling circles are beginning to gain the upper hand.

The accelerated buildup of military potential, expansion of the functions of the Self-Defense Forces and the breach of the three nonnuclear principles and the principle of the renunciation of arms exports are in howling contradiction to the letter and spirit of Japan's constitution. It proclaims: "The Japanese people renounce war for all time as the sovereign right of the nation and also the threat or use of armed forces as a means of settling international disputes." For the achievement of this goal, it goes on to point out, "never henceforward will army, navy and air forces, as, equally, other means of warfare, be created. The state does not have a recognized right to wage war."

In order to remove the formal obstacles in the way of the country's militarization and gain complete freedom of action Nakasone is openly calling for a revision of the constitution, operating with the proposition concerning its "nonindependent" nature. Indeed, this document, particularly its antiwar clause, was adopted not without the approval of the U.S. occupation authorities, who aspired to remove forever the most dangerous competitor in the interimperialist struggle in Asia and the Pacific. The historical irony is that the present American leaders find themselves on the same side as Japan's revanchist circles who are campaigning for a revision of the results of World War II. For the sake of joint opposition to the USSR and the other socialist countries they are prepared to let the "genie out of the bottle," failing to heed the possible dangerous consequences of this for their friends and allies in Asia.

For the purpose of justifying the military preparations the leaders of Japan's National Defense Agency, just like their Pentagon colleagues, are making baseless statements concerning the "growing Soviet threat," which allegedly requires the appropriate "retaliatory measures". The main place in the

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\* MAINICHI DAILY NEWS 4 December 1982.

"Defense White Paper" for 1982 is assigned to precisely a substantiation of this proposition. Referring to the fact that the United States had decreased its military presence in the Far East in connection with the transfer of some formations of the 7th Fleet to the Indian Ocean, the compilers of the paper conclude that Japan is forced to pay greater attention to the strengthening of its own military might. The present prime minister's official statements are also imbued with a spirit of anti-Sovietism. At the same time far from all the representatives of influential forces in the country share this viewpoint. As the American journal U.S. NEWS AND WORLD REPORT wrote, "some Japanese regard President Reagan's efforts aimed at neutralizing Soviet military potential as a provocation, as a result of which Japan could find itself at the center of East-West confrontation, which would cause it more harm than good."\* The prudent opinion that a considerable increase in military spending will impede Japan's economic development and deprive Japanese monopolies in of the relative advantages in their struggle against American and West European competitors is widespread. The bellicose statements of the government have been accorded a hostile reception by the broad public and sharply criticized even on the part of the bourgeois press. Tokyo is aware that a stimulation of the antimilitarist movement could bring about serious internal political difficulties.

The trend toward a change in the basic principles of Japan's military-political strategy which has been discerned is evoking a negative reaction in Asian countries. Their leaders rightly discern in this the threat of a revival of Japanese militarism, of which the peoples of the Asia-Pacific region were the victim during World War II. The governments of Indonesia and the Philippines are openly expressing dissatisfaction with the increased assertiveness of the Self-Defense Forces and the prospect that Japan will replace the United States as "Asian gendarme". The ruling circles of Thailand, Malaysia and Singapore criticize Japanese military policy. All this is causing Tokyo serious alarm inasmuch as it could create barriers in the way of the expansion of Japan's political influence in the region and complicate its economic expansion. The plans to turn this power into an "unsinkable aircraft carrier" together with the sharp increase in its military role in the region are contributing to an upsurge of anti-imperialist sentiments in the ASEAN countries. In urging Tokyo on toward a buildup of the armed forces for the purpose of extending East-West confrontation Washington is thereby counterposing its chief Asian ally to the Southeast Asian developing states.

At the same time relations within the framework of the Washington-Tokyo-Seoul "triangle" are being strengthened. The assumption of office by the Reagan administration heralded the abandonment of the policy of the withdrawal of American troops from South Korea, which was, inter alia, confirmed during the U.S. President's meeting with the Seoul dictator Chun Doo Hwan in January 1981 and also at the time of the American-South Korean Security Council session in March 1982. In recent years the question of joint support for the South Korean regime has invariably occupied an important place on the agenda of negotiations between the leaders of the United States and Japan. As a result

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\* U.S. NEWS AND WORLD REPORT 23 August 1982, p 40.

Tokyo has extended its commitments with respect to providing Seoul with economic, military and other assistance. An important new step in this direction was the meeting of Japanese and South Korean leaders in January 1983, when for the first time since the war the head of a Japanese Government made an official visit to South Korea. As a result of the talks an agreement was signed on privileged loans to the Chun Doo Hwan regime worth \$4 billion.

The dangerous trend toward the growth of American-Japanese-South Korean military-political relations into a formal triple alliance is being revealed increasingly clearly. Highly symptomatic in this respect was G. Shultz's mission to Tokyo and Seoul undertaken immediately following the Japanese prime minister's trip to South Korea and the United States. The secretary of state's negotiations with the South Korean and Japanese leaders showed that the American leadership closely links its strategy with the buildup of the military potential of Tokyo and Seoul. According to U.S. Undersecretary of Defense F. Ikle, who addressed a press conference in Washington at the start of February, an element of this strategy, which is aimed at increasing the naval might of the United States for resisting the Soviet Union in the event of "extraordinary circumstances," is the deployment of large-scale carrier formations in the Far East. The navies of South Korea and Japan are virtually entrusted with the functions of support for these forces here.

G. Shultz's meeting with the Seoul ruling clique was timed to coincide with the start of the annual American-South Korean Team Spirit maneuvers, which were distinguished on this occasion by the particularly large number of formations participating in them (including forces of the 7th Fleet and U.S. strategic aviation in the Pacific) and the complexity of the operational assignments. The personnel of the American forces engaged in the exercises numbered 70,000 and that of the South Koreans 118,000. This action elicited a justified and emphatic protest from the DPRK leadership. In conducting these maneuvers, the newspaper NODON SINMUM pointed out, the United States is endeavoring to intimidate the peace-loving peoples of Asia and the world with a show of strength in this region. The Team Spirit-83 maneuvers were condemned by a PRC Foreign Ministry representative, who called for the withdrawal of U.S. armed forces from the territory of South Korea. It is obvious that the stimulation of imperialism's military preparations in Northeast Asia and American-South Korean military cooperation under the conditions of qualitative changes in Japan's military role is leading to a further exacerbation of tension in Northeast Asia and is contrary to the Korean people's aspiration to the country's peaceful unification.

Since the latter half of the 1970's the sphere of the military-political cooperation of the United States and Japan has come to encompass not only Northeast Asia--a concerted policy in respect both of the Indochina countries and the ASEAN states has come to be formulated. Currently the sphere of interaction has been extended to practically the entire Asia-Pacific region. Since 1980 Japan has been a constant participant in the multilateral (United States, Canada, Australia, New Zealand) Pacific Ring ("Rimpac") sea exercises, which have been conducted regularly for more than 10 years now in the Hawaiian Islands region. Japan's association with them is designed to link the NATO and ANZUS blocs and the American-Japanese Security Treaty in a single chain and strengthen the positions of imperialism in the South Pacific.

There is increased significance in this connection of such U.S. allies as Australia and New Zealand. Washington is urging them on to build up their armed forces and develop Canberra's and Wellington's military contacts with a number of new states of Oceania and Southeast Asia, counting with their help on enlisting the latter in its military-strategic system. It was not fortuitous that in November 1982, in the wake of the head of the U.S. military department, [R. Vayner], minister of Australia's defense industry, headed for the Southeast Asian countries (Indonesia, Malaysia, Singapore and the Philippines). During a press conference held in Manila on 12 November [Vayner] declared that the purpose of his trip was to extend Australia's military cooperation with the ASEAN states. He candidly acknowledged here that such cooperation is an integral part of wide-ranging preparations for the creation of a "regional defense system" based on the existing military alliances such as ANZUS, the ANZUK (Britain, Australia, New Zealand, Malaysia and Singapore) military agreement, which is currently being revived, and the American-Philippines Mutual Defense Treaty.

Since 1978 the sphere of ANZUS' activity has been extended to the Indian Ocean zone, and in 1981 the Pentagon obtained the right to use Australian airfields in Darwin and [Lirmond] for its strategic aviation and the port of Cockburn Sound on the shore of the Indian Ocean for the permanent basing of missile-carrying submarines, which is of particular importance to it in the sphere of supporting the transfer of armed forces to the Near East and Persian Gulf. The Australian authorities invariably confirm the authorization for American warships carrying nuclear weapons to call at their ports. These facts testify that Australia is becoming an increasingly active participant in the United States' militarist plans in the Pacific and Indian oceans.

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## INVESTMENT PROBLEMS OF OIL-EXPORTING STATES EXAMINED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
Apr 83 pp 100-112

[Article by I. Bashmakov: "Singularities of Expanded Reproduction in the Oil-Producing Countries"\*]

[Excerpt] The traditional outline of economic growth in the developing world--the model containing "two deficits"--becomes, when projected onto the economy of the oil-producing states, a model containing "two surpluses"--a surplus of savings and a surplus trade balance, which for the OPEC countries in 1980 amounted to \$167 billion.<sup>1</sup> This is more than the volume of commodity imports of other developing countries in 1977 and equal to 31 percent of the gross domestic product of the states within the organization, the value of which in 1980 was put at \$540 billion.<sup>2</sup>

OPEC's monopoly positions on the world oil market have enabled it to determine the level of liquid fuel prices. The low price elasticity of the supply of oil and the demand therefor in countries lacking significant reserves thereof and the possibility of regulating oil production within sufficiently wide limits enabled the exporting countries to increase oil prices more than 16-fold in the period 1970-1980. As a result the OPEC members' revenues from liquid fuel exports increased 20-fold--from \$14.4 billion in 1970 to \$290 billion in 1980.<sup>3</sup> The growth was even more appreciable in some countries. Thus Saudi Arabia's state revenue from oil exports increased from \$1.2 billion in 1970 to \$102 billion in 1980. The sharp increase in the revenues of the exporting countries enabled them to embark on the fulfillment of wide-ranging economic development programs and appreciably accelerate the economic growth rate.

The nationalization of oil facilities led to the revenues from the sale of liquid fuel in the countries in question being accumulated in centralized fashion. They are primarily in three basic channels: state consumption, domestic state accumulation and the transfer of assets abroad. The rapid growth of oil revenues led to a considerable increase in the role of the public sector in the economy.<sup>4</sup> Thus the state's share of total consumption in Saudi Arabia increased from 38 percent in 1971-1972 to 56 percent in 1979-1980, while the relative significance of state capital investments increased correspondingly from 35 to 60-70 percent. The secondary use of oil revenues (state contracts, high wage rates in state establishments, import trade and

\* This article deals predominantly with the group of oil-producing states which are on the one hand sparsely populated and, on the other, possess very substantial "surpluses" of foreign currency revenues, primarily the countries of the Arabian peninsula.

so-forth) contributed to the rapid growth of the private sector. Private investments and private consumption have become closer than prior to 1973 and are connected with the growth of state spending. State capital investments, the proportion of which in the oil-producing countries is over 50 percent, as a rule, of total domestic accumulation, determine chiefly the amount and direction of private investments by means of the awarding of state contracts and the creation of mixed companies.

Thus domestic aggregate demand in the oil-exporting countries is formed to a considerable extent under the influence of the proceeds from the sale of oil. The same is in principle true for the supply of commodities on the domestic market. On the one hand the distribution of state and private accumulation connected therewith per sector of the economy predetermines the rate and proportions of production and, on the other, the possibility of importing commodities in short supply essentially depends on the volume of foreign currency proceeds from oil exports.

The mechanism of economic growth is a complex system incorporating technical-economic and sociopolitical factors which, interacting among themselves, determine the rate and proportions of economic development. In the oil-producing countries the growth of oil revenues is contributing to the concentration of exclusive economic power on the economy and political factors of economic growth acquire particular significance here. Technical-economic factors, on the other hand, perform the role of "natural inhibitors," which are more or less taken into consideration by the ruling social groups in the formation of the goals of their countries' socioeconomic development.

Nationalization of the means of production does not in itself in any way mean that they belong to all members of society to an equal extent and serve the basic requirements of its development. In addition, possession and disposal of the means of production enables the ruling elite to achieve its goals, which may be (and frequently are) contrary to the interests of society. The intensification of authoritarian features of the ruling regimes and the rapid development of "bureaucratic capital," that is, capital formed by means of the use of the resources and levers of power, is leading to the conversion of the public sector of the economy into an instrument of the redistribution of the country's financial and natural resources in the interests of a narrow circle of persons.<sup>5</sup>

Nationalization is not, as the classical authors of Marxism emphasized, socialization: "...while the propertied classes remain in power, any nationalization will not the extirpation of exploitation but only a change in its form."<sup>6</sup> Particularly striking forms of the manifestation of this are the proclivity for investments targeted at consolidating a personal reputation, enhancing national prestige and creating the impression of rapid development; huge military spending; ignoring the interests of traditional and small-scale enterprise; and increased differentiation in income and the preservation and deepening of social inequality.

What does the mechanism of economic growth in the oil-producing countries in question represent and what are its most important elements? To answer these questions let us construct an outline of expanded reproduction, taking Saudi Arabia as an example.<sup>7</sup>



The balance of the supply and distribution of commodities and the value structure of the standard-net product viewed sectorially for 1977-1978 are the source statistical material for its construction. Outlines of expanded reproduction usually described the movement of the material product, to which the output of such sectors of the economy as agriculture, extractive and processing industry, construction, power generation and municipal services and also part of the services sphere whose products are incorporated in the intermediate expenditure of the above-listed sectors is related. At the same time, however, it is well known that in constructing outlines of expanded reproduction under capitalism K. Marx and V.I. Lenin separated themselves from small-scale commodity production and other noncapitalist structures. Let us therefore adopt such a supposition for Saudi Arabia also, where the capitalist structure plays the leading part in the process of economic development. Since outlines of expanded reproduction show the distribution of the value and the material-substantial composition of the social product, for our purposes it is natural to choose as a criterion of the degree of development of capitalist relations the proportion of income from capitalist-type enterprises. In our estimation, it constitutes in the material production sphere no less than 95 percent. This is explained by the very low relative significance of the product of agriculture, in which it is traditional structures which predominate, and the product of small-scale enterprises of processing industry in the gross domestic product (1 percent and 0.5 percent respectively).

In order to reflect the role of the oil sector in the process of economic growth it is distinguished specially and designated 0. A trisectorial outline of expanded reproduction is thus obtained. Output is divided into social production subdivisions I and II according to the method of ultimate use.<sup>9</sup> In distributing the value composition of the social product between subdivisions use was made of the method proposed by Academician V.S. Nemchinov, the essence of which is that the structure of expenditure on the production of the products of an individual sector does not depend on the economic purpose of these products. In other words, if in the output of some sector or the other the means of production constitute 50 percent, half of each constituent of the products' cost composition is attributable to subdivision I. This method produces the more accurate results, the more detailed the source set of sectors.

The results obtained from calculations made in accordance with the procedure described above are presented in tables 1 and 2.

Table 1. Trisectorial Outline of the Expanded Reproduction of Saudi Arabia for 1977-1978 (rials, billions)

<u>Product value composition</u>		<u>Distribution of material-substantial composition of social product</u>										
<u>Material production subdivisions</u>	<u>Transferred value</u>	<u>Newly created value</u>			<u>Oil sector output</u>	<u>Production expenditure on</u>		<u>Accumulation of fixed prod capital</u>		<u>End product</u>		
		<u>Pay</u>	<u>Profit</u>	<u>Gross product</u>		<u>Means of production</u>	<u>Consumer goods</u>	<u>of fixed prod capital</u>	<u>of fixed prod capital</u>	<u>Con- sumption</u>	<u>fund Export</u>	<u>Import</u>
Oil sector 0 product	28	4	133	165	28	2	1	--	--	1	133	--
Means of production I	28	13	14	55	--	26	20	47	--	--	1	39
Consumer good II	21	8	9	38	--	--	--	--	29	33	--	24
Total	77	25	156	258	28	28	21	47	29	34	134	63

Estimated from "Yearbook of National Accounts Statistics 1979," New York, 1980, pp 1169-1171.

Upon even a fleeting acquaintance with these tables one is struck by the tremendous role of the oil sector in Saudi Arabia's economy, which produces approximately 64 percent of the gross (excluding the services sphere) product, 85 percent of total profit and almost 100 percent of export proceeds. The surplus product norm in this sector in 1977-1978 was in excess of 3,300 percent and in 1980 some 10,000 percent. The oil sector is characterized by the highest organic structure of capital since this is the most capital-intensive and technically developed sector of the economy. An analysis of the structure of production expenditure shows that the oil sector is an economic enclave: the flows of its products to subdivisions I and II are negligible, and reverse supplies are practically nonexistent; while influencing other sectors of production it does not experience their return impact. If its direct influence (via material flows) on other sectors of production is not that significant, indirect influence (that is, via the state budget) is tremendous.

But the role of the oil sector in Saudi Arabia's economy does not end here. Let us dwell on its role in more detail.

Table 2. Structural Parameters of the Outline of Expanded Reproduction

<u>Material production subdivisions</u>	<u>Organic structure of capital*</u>	<u>Surplus product norm (%)</u>	<u>Proportion of imports in commodity supply (%)</u>	<u>Proportion of subdivision of products in total product volume (%)</u>	<u>Proportion of subdivision profit in total profit volume (%)</u>
Oil sector	7	3,325	0	63.9	85.3
Means of Production	2.15	107.7	41.5	63.9	9
Consumer goods	2.62	112.5	38.7	14.8	5.7
Entire product	3.08	624	19.6	100	100

\*Estimated as the relationship of transfer value to pay.

Estimated from the data of Table 1.

## II

In the developed capitalist economy the regulator of reproduction quotas is the law of the average profit norm, in accordance with which capital is transferred from a sector with a low profit norm to one with a high profit norm. In the oil-exporting countries in question the picture is the reverse. Capital from the oil sector, where the profit norm is exceptionally high, is transferred to sectors with a comparatively low profit norm. This is the principal redistributive function of the state.

It can be seen from the outline of expanded reproduction that Saudi Arabia subdivision I's share of the gross social product considerably exceeds that of subdivision II. This at first sight paradoxical result<sup>10</sup> is explained by the very high proportion of the gross construction product in the total value of the nonoil material product (73 percent), which, in turn, reflects this

sector's high material consumption and its rapid development in recent years in connection with the need for the creation of a modern economy practically in a void. In the periods 1970-1971 and 1977-1978 the volume of the standard-net construction product increased by a factor of 32 in current prices (and by a factor of 4.8 in constant prices), and its share of the nonoil gross domestic product increased from 10 percent to 33 percent.

The products of the construction sector are divided into subdivisions I and II in accordance with the division of capital investments into investments in basic production and nonproduction capital, the latter being attributed to the products of subdivision II. In 1977-1978 this proportion constituted 62:38 in Saudi Arabia. The proportion of construction products in the total gross product of subdivisions I and II constituted 76 percent and 68 percent respectively. Consequently, the proportion between social production subdivisions I and II here is almost entirely determined by the purpose of the construction product. If this latter is excluded from the composition of the product of subdivisions I and II, the production volume therein constitutes 13 and 12 billion rials respectively, that is, practically equal and negligible amounts.<sup>11</sup> The narrowness of the production base explains the fact that the bulk of the commodities necessary for the development of the economy is imported from abroad. Two-thirds of the demand for consumer goods (excluding fixed nonproduction capital) is catered for by imports. The accumulation fund and the intermediate product in object form are also formed mainly thanks to imports. In other words, oil to a considerable extent substitutes for subdivisions I and II in the economy of this group of oil-producing countries, and liquid fuel exports, given the domestic disproportions in production, caters for the final proportions of social consumption, making it possible to import all the necessary commodities. For this reason the question of the correlation of the rate of growth of the supply of products of subdivisions I and II is also decided here not in the production sphere but in the foreign trade sphere.

The choice between present and future which all countries encounter in determining the value of the accumulation norm lies in a different plane here: it consists of an answer to the question of how rapidly its oil has to be produced to maximize the aggregate effect from the use of petrodollars. The basic management parameters in the economy of the oil-producing countries are: the level of oil production; the proportion of the oil revenue which remains abroad; the proportion of investments in the state's domestic spending; and the structure of the distribution of investments by sector of the economy and the import structure. The bulk of them is determined by the state, and for this reason the regulating role of the latter is extremely great, even if it lacks significant positions in the nonoil sectors of the economy.

The trisectorial outline of expanded reproduction makes it possible to ascertain in relief the basic problems and contradictions of the economic development of the group of oil-producing countries in question.

A principal contradiction is the dependence of the process of economic growth on the oil revenue. It amounts to the fact that the possibilities of economic growth are determined not so much by the effect of aggregate domestic factors as by the conditions of the world oil market, that is, conditioned by external factors. Oil is a nonreproducible resource, and raw material for the

chemical industry is depleted as the extraction of reserves of this most valuable fuel type grows. In many oil-producing countries the question is already being asked: what will happen to their economies when oil production begins to decline? The solution of this question will depend on the chosen economic development strategy.

The long-term goal which is the basis of the strategy in the oil-producing countries is to create an economy which is not dependent entirely on oil, that is, to lay the foundations of self-sustaining growth based precisely on domestic factors. But not all countries, evidently, will succeed in implementing this strategy, while some of them, Qatar, for example, are not even setting themselves such a task. The increased dependence of the oil-producing countries' economies on the influx of petrodollars considerably weakens the attention paid to the mobilization of domestic resources of growth. Savings are formed mainly thanks to the proceeds from oil exports, and taxes have been abolished in a number of oil-producing states, in the UAE, for example. The opinion is held in certain countries that oil money is an essential and sufficient condition of the economy's development. But if suddenly for some reason or the other the oil-producing country were to be deprived of the possibility of exporting oil, the possibilities of expanded reproduction in this event would practically be reduced to nothing as soon as the currency reserves were exhausted.

If we take as a basis the outline of expanded reproduction of Saudi Arabia and assume that simple reproduction will occur in subdivisions I and II and that the growing demand for consumer goods will be satisfied through imports, to secure an annual 10-percent increase in consumption over 10 years it will be necessary by the final year to have increased oil production almost threefold,<sup>12</sup> while total production in this period will be in excess of the initial production level by a factor of almost 20. The strategy aimed at "eating away" one's natural resources can lead only to their accelerated depletion with the preservation of undeveloped production forces.

Dependence on a single source of savings--petrodollars--is also manifested in the cyclical nature<sup>13</sup> of the economic development of the oil-producing countries, which is conditioned by the unevenness of the change in demand for oil on the world capitalist market. The cyclical nature of the development of the world capitalist economy is having the most immediate impact on the state of the economy of the oil-producing countries. Furthermore, the cycle of the development of the OPEC members' economy is, as a rule, in antiphase to the cycle of the developed capitalist states. Aggregate demand (sum total of consumer spending and investments) grows the most intensively precisely in the years when its dynamics in the developed capitalist countries slow down. This can be illustrated by comparing the dynamics of the investment growth rates of the United States and the OPEC countries in 1970-1979 (see Table 3).

Table 3. Investment Growth Rate of the United States and the OPEC Countries (%)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Investment growth rate of the United States	1.1	12.6	16.4	14.3	1.4	-0.7	15.5	22.5	17.2	12.8
the OPEC countries	8.9	21.3	26.4	40.1	56.5	60.2	30.1	28.7	3.4	7

Estimated from "International Financial Statistics. Yearbook 1981," New York, 1981.

As we can see, beginning 1973, in only one year (1978) did the investment growth rate of the United States and the OPEC countries change in the same direction; in the remaining instances these changes were in different directions.

The increase in oil prices is leading to a certain part of the surplus product created in the developed capitalist states being put at the disposal of the oil-producing countries. Consequently, the resources for investments at one pole are reduced while growing at the other. At the same time the sharp rise in oil prices in a given year leads to a reduction in imports in the subsequent year (see Table 4).

Table 4. Correlation of Oil Prices and Oil Imports by the Capitalist Countries

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Average annual oil price (\$/tons)*	19	25	82	86	93	100	101	148	239
Capitalist countries' oil imports (tons, millions)	1,320	1,507	1,468	1,353	1,509	1,570	1,548	1,601	1,450**

\*OPEC average price.

\*\* Estimate.

Estimated from "International Financial Statistics. Yearbook 1980," New York, 1981; "Yearbook of World Energy Statistics 1979," New York, 1981.

The time gap of one year is explained by the following. The increased price of oil, reflecting discrepancy between supply and demand, entails a reduction in demand and levels these values. The decline in liquid fuel imports and, in its wake, in consumption (in the developed capitalist countries the proportion of net imports in oil consumption amounted to 50 percent in 1980) has a maximum impact on the sectors which have the most significant energy and raw material (when the raw material is oil) component in the structure of

expenditure and, in the wake of this, leads along an intersectorial chain to reduced production in other sectors. The fall in the volume of production, which embraces an increasingly large number of sectors, leads to an even more significant decline in the consumption of oil and, consequently, imports.

An analysis of postwar cycles shows that the time distance from the highest precrisis to the lowest crisis points constitutes 12 months on average.<sup>14</sup> The elasticity of demand for oil in terms of price is not great, and for this reason the growth in the average annual price of 324 percent in 1974 brought about a reduction in oil imports of only 8 percent in 1975. The drop in demand leads to a stabilization or even reduction in the oil price and to a slowing of the growth rate first of the revenue and then of the expenditure (including investment spending) of the OPEC members. The developed capitalist states succeed in neutralizing the redistribution of the surplus product in favor of the oil-producing countries, attracting the latter's deposits in their banking system, overstating the prices for the commodities sold to this group of countries, changing currency exchange rates, selling arms and so forth.

The stabilization of the oil price and the stimulation of economic activity and the growth of consumer and investment spending in the oil-important countries leads to a gradual increase in the demand for oil. The balance between supply and demand on the world capitalist oil market again becomes unstable. This situation creates favorable conditions for an increase in prices, the more so in that by this time many oil exporters are encountering difficulties in financing their exorbitantly swollen programs of economic development which were adopted in years when it seemed that financial limitations were difficulties which had receded into the past. The latest big oil price rise initiates a new cycle.

### III

The problems and contradictions engendered by the aspiration of a number of oil-producing countries "to squeeze the age," using as a press the huge petrodollar sums, become particularly visible upon the transition from the statistical aspect of an analysis of the outline of expanded reproduction to the dynamic. For this transition it is necessary primarily to calculate the potential of expanded reproduction,<sup>15</sup> which is defined as the difference between newly created value in social production subdivisions 0 and I and production expenditure in subdivision II. In Saudi Arabia's case it is necessary to deduct from the value obtained the value of imports of consumer goods since this sum is separated from the expanded reproduction process. As a result Saudi Arabia's expanded reproduction potential or the resources which would be channeled into accumulation constituted 119 billion rials (\$35 billion) in 1977-1978. Part of this sum settles abroad, the rest is invested in the economy.

As already pointed out, in the oil producing countries oil rent constitutes the bulk of the revenue. For this reason phenomena may be observed here which hitherto had no place in economic history. Thus the relation of expanded reproduction potential to newly created value in the nonoil sector of Saudi Arabia's economy (and considering that only 1.5 percent of the country's manpower is employed in oil production, this value also reflects the volume of the real production efforts of its population) constituted 273 percent and,



if we take the value of the entire material nonoil product, 128 percent.

There arises in full magnitude here the problem of a thorough determination of the absorption capacity of the economy and the ascertainment of the basic limitations of economic growth. The incorporation of the oil-producing countries in "competition with time" led to the emergence of a new contradiction expressed in a basic disproportion of development--the discrepancy between the investment programs and the possibilities of the economy. The point being that the years of the "first wave" of the oil boom were a period of very rapid growth of investments in the economy of the oil-producing countries. Their average annual growth rate in current prices constituted (%): 63 in Saudi Arabia (1973-1978), 54 in the UAE (1973-1977) and 36 in Kuwait (1973-1977).<sup>16</sup> The rapid increase in investments was naturally accompanied by an appreciable increase in the accumulation norm; in 1977 it amounted (%) to 30 in Saudi Arabia, 34 in the UAE and 19 in Kuwait.<sup>17</sup>

Such a rapid growth of internal capital investments led to an increase in the contradictions between the quantitative and qualitative aspects of the accumulation process and a discrepancy between the influx of financial resources channeled into development and the economy's absorption capacity. The latter is defined as the limit of the growth of investments at which, when crossed, the economy encounters increased development disproportions caused by the impossibility of supporting the monetary accumulations with material-substantial factors of economic growth and their efficient use. Two criteria exist for determining this limit which are synthetic indicators of development disproportions, that is, any disruption of objective economic proportions is ultimately reflected in a quantitative change therein.

The first criterion is the level of the output-capital ratio. The concept of the economy's absorption capacity, as distinct from investments, reflects not simply the conversion of monetary accumulations into commodities but also the subsequent use of capital goods. It is a kind of connecting link between the qualitative and quantitative aspects of the accumulation process. The excessive quantitative growth of investments is accompanied by a reduction in the efficiency (quality) of the use of fixed capital. The unduly rapid growth of the capital-labor ratio leads to the disruption of the objectively necessary proportion between fixed capital and the strength of the labor force, as a result of which there is a slowing of the growth of labor productivity in relation to the growth of the capital-labor ratio.

The shortage of manpower, which is a principal limitation on the growth of the economy of the oil-producing countries of the Arabian peninsula, leads to the underuse of enterprise production capacity, a disruption of the production engineering norms, a reduction in the specified times of the operation of equipment owing to inadequate care and, as a result, to increased capital-intensiveness. The growth of capital investments is "eaten up" by the increased incremental capital-intensiveness, not leading to a corresponding increase in the manufacture of output. A number of countries has succeeded in impeding the growth of output's capital intensiveness. This is being achieved with the aid of manpower imports on such a scale that these countries' indigenous population finds itself in the minority, while the relative significance of foreign workers amounts to 70-80 percent in such most important sectors of the economy as industry and construction. The considerable influx of manpower from abroad is making it possible to maintain

the proportion between labor resources and fixed capital at the proper level and to neutralize the reduced efficiency of the use of the latter.

The second criterion for determining the economy's absorption capacity is the increase in the prices of investment commodities, which through the mechanism of inflationary inertia leads to increased prices for other commodities.

In order for monetary capital to take the form of production capital a link between the value and physical-material flows of capital investments is essential. The investment complex of the economy, that is, such aspects thereof as engineering, construction materials industry and construction, were very inadequately developed on the threshold of the oil boom. Machinery and equipment and cement and metal structure requirements were met practically fully thanks to imports. According to data for 1977, the proportion of machinery and equipment (and construction materials also are in the investment commodities category) in total commodity imports constituted (%): 57 in Qatar, 45 in Kuwait, 41 in Saudi Arabia and 40 in the UAE.<sup>18</sup> But the possibilities of supporting investments with material-substantial flows by means of imports proved limited owing to the low traffic capacity of the port installations, the inadequate development of the transportation system and the fleet of transport facilities and weak spots in the material-technical supply system.

The next obstacle in the way of realization of the contemplated plans was the underdevelopment of construction's material-technical facilities. The construction and installation firms proved incapable of performing the sharply increased work volumes. The removal of these limitations takes a certain time and additional investments in facilities of the infrastructure, both production and social. In other words, it is necessary to do away with the disproportion between the volume of investments and the level of development of the country's production forces. The deepening of this disproportion leads to the depreciation of accumulations and the rapid growth of the price of investment commodities, which have become a focal point of inflation and the leading link in the inflation spiral in the countries in question. Thus in Saudi Arabia the growth of the value of the construction product was the factor which has made the main contribution to the increase in both consumer and wholesale prices. Whereas in 1970-1978 prices for food, clothing and other consumer goods and also services increased by a factor of 2.5, the price of housing increased by a factor of 4.5.

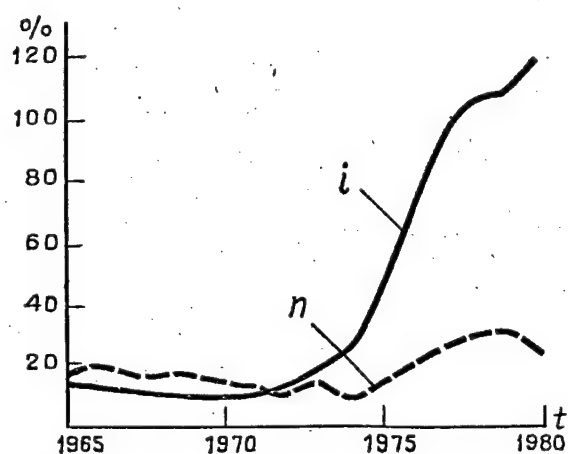
In 1972/1973-1977/1978 the price of the construction product increased on average 40 percent annually, while the price of products of other branches of the nonoil sector of the economy increased "only" 21 percent.

Under conditions where the capacity sectors of the economy's investment complex is loaded to the limit the endeavor to transfer capital from the monetary form into the production form leads to the elasticity of investments in constant prices in relation to investments in current prices tending to zero. If it is assumed that the average annual rate of growth of investments in current prices is within the limits of 35 to 40 percent, a further increase therein

of 1 percent leads to an increase in the growth rate of investments in constant prices to 0.1 percent, within the limits of 40 to 50 percent to 0.08 percent and, finally, within the limits of 50 to 60 percent to 0.05 percent. Consequently, the deepening of the gap between the supply and demand of investment commodities is unequivocally reflected in an acceleration of the increase in the price thereof.

A number of works of foreign authors on the economy of the oil-producing countries indentifies the economy's absorption capacity either with the actual amount of the investments or with the actual accumulation norm. This is wrong since, as the Arab economist A. al-Jinaibi rightly observed, "if by absorption capacity is understood the capacity to spend money, this is a superfluous concept."<sup>19</sup> Indeed, with this definition inflation makes the economy's absorption capacity practically unlimited. If the economy's absorption of a certain volume of investments leads to increased disproportions, this volume consequently exceeds the limit called the economy's absorption capacity, and monetary resources in this case are spend inefficiently.

Dynamics of the Investment Load of the Economy (i) and the Accumulation Norm (n) of Saudi Arabia



The accumulation indicator, that is, the proportion of capital investments in the gross domestic product, is usually employed for an estimation of the degree of intensiveness of the accumulation process. For the oil-producing countries this indicator only partially performs this function. In years of a sharp increase in investments the accumulation norm declines. Thus in 1973-1974 and 1974-1975, when Saudi Arabia's investments increased by factors of 1.5 and 2.1 respectively, the accumulation norm declined from 14 percent in 1972-1973 to 8.5 percent and 12.7 percent in the subsequent 2 years. A similar situation was repeated in 1979-1980 (see above chart). The point being that in years of a sharp increase in liquid fuel prices there is just as sharp a rise in the part of the gross domestic product accounted for by the oil sector and, consequently, the gross social product itself. Investments, however, grow somewhat more slowly since their dynamics are determined not only by the revenue indicator but also by the need to make capital investments in projects

in respect of which construction process stock already exists, and it is impossible to transform one's revenue into investments that quickly without having drawn up the service manuals for the new projects, that is, there is a certain investments' time lag in relation to revenue.

It is for this reason that in years when there is a sharp increase in oil revenue a considerable "savings surplus" arises since the volume and directions of capital investments are predetermined to a considerable extent by past decisions, and the accumulation norm declines. If this indicator is used as a measure of the degree of strain in the investment complex of the economy, the impression is created that this strain will abate. And the degree of this strain itself would seem negligible since in Saudi Arabia the accumulation norm has not once exceeded 31 percent.

The ratio of gross capital investments in current prices to the gross domestic product (excluding oil exports) in constant prices taken with a time gap of a year, which makes it possible to compare the demand for investment commodities with the level of development of the production forces which has been reached and show that the investment load is "up to" the production forces created earlier, is taken as the indicator designed to measure the investment load of the economy. Oil exports are excluded from the composition of the gross domestic product for the reason that they ensure accumulation not with material but financial resources. In investigating the economy of an individual country or group of countries the main interest is in the dynamics of the economy's investment load indicator and not its absolute value, which depends on the base year in whose prices the nonoil gross domestic product is measured. This is an additional argument in support of the use of the latter indicator and not the entire gross domestic product, a considerable part of which is made up of the oil sector product; it passes on to the gross domestic product its inherent fluctuations, which bring about changes in supply and demand on the world oil market. The nonoil gross domestic product in constant prices is a highly satisfactory indicator of the level of an oil-producing country's economic activeness.

The delayed value of this indicator is chosen for the reason that it is precisely it which reflects the level of development of the production forces which has been reached, shows the actual nature of the fulfillment of the programs which have been drawn up and is the basis from which the planning of economic activity should proceed.

In a short interval of time--1970/1971-1978/1979--the investment load of Saudi Arabia's economy increased more than tenfold,<sup>20</sup> and for the OPEC countries as a whole fourfold. This led to the overloading and overstraining of the economy, a sharp acceleration of price rises, an appreciable reduction in the efficiency of the use of capital investments and a prolonged disruption of the objectively conditioned proportion between the accumulation fund and the consumption fund.

The transnational corporations and the American and European advisers employed in the planning and finance ministries, who are foisting large-scale, costly projects on the country, endeavoring to "pump out" of its as many petrodollars as possible and expand the market for Western goods to the maximum, contributed to this to a considerable extent.

For the sparsely populated oil-producing countries a justified determination of state spending, given the actual level of oil production, would make it possible to a considerable extent to smooth over the acute economic contradictions and have considerable sums of foreign assets in addition. As the calculations based on the model of Saudi Arabia's economy showed, the decline in the average annual rate of growth of state spending in the period 1972/1973-1977/1978 from 62 to 30 percent and the corresponding decline in the average annual rate of growth of gross capital investments from 64 to 36 percent, given a certain slowing of the rate of growth of the nonoil gross domestic product in constant prices (on average from 14.4 to 13.8 percent), made it possible to reduce considerably the rise in prices of products of the nonoil sector of the economy (from 32.3 to 11.3 percent, that is, by an average of 21 percent a year) and increase the sum total of foreign assets accumulated in this time by \$64 billion. In reality, this sum of money was transferred to the disposal of the feudal-monopoly elite of this country and the foreign capital functioning therein.

Thus the sums of state spending considerably exceeding the economy's absorption capacity gave rise to inflation, inflation devalued them, and for this reason a further increase in spending was required. Ultimately their volume reached a level where the reduction in revenues from exports of oil brought about by falling demand for this product would lead not now to a decline in the petrodollar surplus but to the formation of a shortage of savings, a deficit balance of payments and increased economic difficulties. Attention is drawn in this connection to the fact that the liabilities of the balance sheet of current operations of OPEC for 1982 is already put at \$9.5 billion.<sup>21</sup> Their formation was caused not only by the fall in the proceeds from oil sales but also by the fact that the spending of this group of countries on imported goods and services has increased by a factor of 8.5 as of 1973, although could have increased less appreciably without detriment to economic development. As far as Saudi Arabia is concerned, according to our estimates, this country's surplus balance of current operations will decline considerably and in 1982-1983 amount to \$5-10 billion. The obstacles in the way of economic growth which arose in the OPEC countries in the latter half of the 1970's have contributed to the accelerated reduction in the gap between the demand for oil on the world market and the volume of exports thereof necessary for financing their economies' development programs. This permits us to believe that in the 1980's the rate of expanded reproduction in the oil-producing countries of the Arabian peninsula will evidently depend to a greater extent than before on the state of the world capitalist oil market and that the scale of the export of capital from these states will noticeably decline.

#### FOOTNOTES

1. "Arab Oil and Gas Directory 1981," Beirut, 1981, p 437.
2. "Economic Report of the President, 1982," Washington, February 1982, table b--109.
3. "Arab Oil and Gas Directory 1981," p 437.

4. In these countries, where the government is pursuing a policy of the utmost encouragement of the private sector, the state performs the role of catalyst of economic development, filling the gap between the goals of the rapid surmounting of underdevelopment and the narrow possibilities of the private sector.
5. For more detail see N.A. Simoniya, "Indonesia," Moscow, 1978.
6. K. Marx and F. Engels, "Letters Concerning 'Das Kapital'," Moscow, 1968, p 509.
7. Outlines of expanded reproduction are a highly efficient tool of economic analysis. They are employed most frequently in theoretical research, which is explained by the lack of statistical data with which a specific outline for an individual country could be constructed. This becomes an even more significant obstacle if the subject of study is the economy of developing countries. At the same time the broad analytical possibilities of outlines of expanded reproduction justify the attempt at their numerical realization in a concrete example even if the result obtained is in a certain sense a "blurred photograph" from actual reality.
8. See "Yearbook of National Accounts Statistics 1979," New York, 1981, pp 1169-1171. 1977-1978 is the last year for which corresponding statistical data is available.
9. For more detail on the procedure of the division of products into subdivisions I and II see "Two Subdivisions of the Social Product," Moscow, 1976.
10. Literature on the economy of the developing countries usually assumes that the proportion of subdivision I is appreciably less than II (see, for example, N.M. Shmelev, "Problems of Economic Growth of the Developing Countries," Moscow, 1970, p 64).
11. The continued superiority of subdivision I compared with II is explained by the extremely low proportion of the agricultural product in Saudi Arabia's gross domestic product (it constituted 1 percent in 1977-1978).
12. Given stable prices and currency reserves.
13. It is now manifested only in respect of the growth rate of the basic components of final demand.
14. See "Mechanism of the Economic Cycle in the United States," Moscow, 1978, p 84.
15. This term was introduced to scientific use by Academician V.S. Nemchinov, naming thus the volume of gross accumulation of the means of production (see V.S. Nemchinov, "Selected Works," vol 3, Moscow, 1969, pp 259-262). The word potential in our case should be put in quotation marks since it shows here not the value of the sum total of material-substantial goods created in the country intended to increase the production volume in the long term but the sum total of foreign currency assets for which these goods may be acquired abroad.

16. "Yearbook of National Accounts Statistics 1979," New York, 1980.
17. Ibidem.
18. "Handbook of International Trade and Development Statistics 1980," New York, 1981. Data for the UAE for 1975.
19. OPEC REVIEW September 1980, p 13.
20. It grew particularly rapidly in 1974-1975 and 1975-1976. In these 2 years, when the accumulation norm declined, the economy's investment load increased 320 percent.
21. OPEC BULLETIN August 1982, p 11.

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## ACADEMY OF SCIENCES RESOLUTION ON STUDY OF CRISIS OF CAPITALISM

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
Apr 83 pp 121-123

[Text] Urgent Tasks of the Study of the Economic Problems of Capitalism of the 1980's

The 26th CPSU Congress and the party Central Committee November (1982) Plenum note the further intensification of the general crisis of capitalism. Interimperialist contradictions are sharpening and the struggle of the imperialist powers for sales markets and raw material and energy sources is increasing. Increased economic slump can be observed, unemployment is growing and the intensity of the class struggle between labor and capital is heightening within the leading capitalist powers. Imperialism is attempting to compensate for the intensification of crisis phenomena both thanks to the increased exploitation of the working people's masses and an increased aggressive course in foreign policy. The exacerbation of the present international situation to extremely dangerous limits caused by the actions of the leading imperialist powers is brought about not least by the upheavals being experienced by the capitalist world. Under these conditions importance is attached to an analysis of the latest singularities of the current stage of the general crisis of capitalism, the basic trends in the functioning of the economy of the capitalist world and its most urgent problems.

In accordance with the party's decisions, in academy institutions of an international profile there has been a marked increase in the attention paid to a study of key questions of world economic development and international relations, problems of peace and disarmament and the socioeconomic situation in the capitalist countries. A certain step forward has been taken since the 26th CPSU Congress in study of the current stage of the general crisis of capitalism and the development of state-monopoly capitalism and certain progress can be observed in the study of current international relations.

Having received and discussed the paper of Doctor of Economics V.A. Martynov, acting director of the USSR Academy of Sciences Institute of World Economy and International Relations, on the said question, the Social Sciences Section notes the increased attention to the study of the economic problems of capitalism in the USSR Academy of Sciences Institute of World Economy and International Relations. Great attention is being paid to a study of the new trends in the development of state-monopoly capitalism in the atmosphere of its

sharply increased instability, new phenomena in the development of the monopolies, finance capital and the world economic relations of the capitalist countries and the changes in the social structure of present-day capitalist society. The technical shifts in the production base of the main capitalist countries occurring under the impact of the scientific-technical revolution and the trends and factors of labor productivity and the organization and management of capitalist production are being researched from the angle of the possible use of foreign countries' experience in the interests of the accomplishment of the economic tasks of the USSR.

It should, however, be noted that the scientific research being viewed in this plane is not as yet sufficiently accented toward a comprehensive examination of the fundamental problems of world development. Scientific developments are frequently concentrated on details of a current-situation nature. A number of processes and phenomena of world economic and political development requires additional study and in-depth theoretical collation. Among these are primarily the influence of the crisis phenomena being experienced by capitalism on its policy, including foreign policy. Problems of the military-industrial complex and the nature and consequences of the activity of the transnational corporations are in need of profound political-economic analysis.

The entire complex set of problems of modern capitalism's currency-finance instability, which directly affects the foreign economic interests of the USSR, is, in particular, in need of further analysis. The USSR Academy of Sciences Scientific Council for the Study of Problems of Peace and Disarmament, the State Committee for Science and Technology and the Soviet Committee for the Defense of Peace are as yet coordinating inadequately the research in the sphere of the struggle for peace and against the danger of nuclear war which is being conducted in different branches of science.

More attention should be paid to an analysis of the ideological struggle in the international arena.

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The USSR Academy of Sciences Presidium Social Sciences Section decrees:

1. Approval of the basic propositions of the paper of Doctor of Economic Sciences V.A. Martynov, acting director of the USSR Academy of Sciences Institute of World Economy and International Relations, "Certain Urgent Tasks of Study of the Economic Problems of Capitalism of the 1980's".
2. That the USSR Academy of Sciences Economics Department and the institutes of an international profile incorporated in it, primarily the USSR Academy of Sciences Institute of World Economy and International Relations, pay special attention to the accomplishment of the task set at the 26th CPSU Congress of the theoretical interpretation of the new phenomena in the capitalist world, particularly the singularities of the present stage of the general crisis of capitalism, the sharp growth of the role of the military-industrial complex and the transnational corporations and a more precise determination of the prospects of the capitalist states' technical-economic and social development with regard for the influence on these processes of the scientific-technical revolution.
3. That the USSR Academy of Sciences Institute of World Economy and International Relations continue with regard for the new phenomena of the

world revolutionary process and the economic and political interests of the socialist countries within the framework of the approved plan of scientific research the extended development of the following key theoretical problems:

the capitalist socialization of production and its manifestations and consequences under the conditions of modern state-monopoly capitalism and the new stage of the scientific-technical revolution;

the singularities of capitalist reproduction and the prospects of the development of the most important sectors of the economy in the leading capitalist countries and the interconnection of the mechanism of the cycle of capitalist reproduction with the structural shifts in the world capitalist economy;

the contradictions and problems of state-monopoly regulation of the economy of the main capitalist countries;

the causes and singularities of modern inflation and the trends of the destabilization of the monetary-credit sphere under the conditions of paper-money circulation;

the interaction of the centrifugal and centripetal tendencies within the framework of the imperialist system;

the process of internationalization of the economic life of the capitalist countries;

the essence of global problems of the present day and the economic and social factors predetermining their acute and conflict nature under capitalism;

capitalism's reaction to the new economic and political realities; and

a critical analysis of bourgeois theories of state-monopoly capitalism and their reflection in the programs of governments and parties and the concepts of the economic and sociopolitical development of modern capitalism and the world economy.

4. That the USSR Academy of Sciences Institute of World Economy and International Relations continue and strengthen the practice of a comprehensive, interdisciplinary approach to an analysis of the key problems of modern capitalism, providing here for the development of the theory of the economic development of capitalism in close linkage with an investigation of the most important of its changes in the social, internal political and international spheres and in the plane of the struggle, competition and peaceful coexistence of the two world systems.

5. Considering the coordinating role of the USSR Academy of Sciences Institute of World Economy and International Relations as the head institute of the USSR Academy of Sciences for study of the problems of modern capitalism, to entrust to the USSR Academy of Sciences for study of the problems of modern capitalism, to entrust to the USSR Academy of Sciences Institute of World Economy and International Relations the organizing and realization in 1984 of an all-union conference on the most urgent and acute problems of capitalism's development at the current stage.

6. To recommend that the USSR Academy of Sciences Scientific Council for Study of the Problems of Peace and Disarmament, the State Committee for Science and Technology and the Soviet Committee for the Defense of Peace increase coordination of the research into problems of peace and disarmament, paying special attention to their interdisciplinary nature.

7. To entrust to the USSR Academy of Sciences Institute of World Economy and International Relations the preparation of special monographs aimed at a broad range of readers on problems of the military-industrial complex of the leading capitalist countries and the activity of the present-day transnational corporations.

6 January 1983.

(Signed) Academician P.N. Fedoseyev, chairman of the USSR Academy of Sciences Presidium Social Sciences Section.

Doctor of Historical Sciences B.I. Koval', deputy chairman of the USSR Academy of Sciences Presidium Social Sciences Section.

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ACADEMY OF SCIENCES CONFERENCE ON COMBATING WESTERN ECONOMIC THOUGHT

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4,  
Apr 83 pp 124-128

[V. Studentsov report on USSR Academy of Sciences Scientific Council Session]

[Excerpts] The USSR Academy of Sciences Scientific Council for the Comprehensive Problem "Economic Regularities of the Development of Socialism and the Competition of the Two Systems" was set up in accordance with a decree of the USSR Academy of Sciences Presidium under the USSR Academy of Sciences Economics Department in December 1980. The purpose of the scientific council is comprehensive study of political-economic questions of developed socialism and present-day capitalism and the increased coordination of research activity in this sphere.

The first session of the Scientific Council, in which employees of USSR Academy of Sciences establishments, higher school lecturers and practical workers of Moscow and other cities of the RSFSR and also a number of union republics participated, was held in the Institute of World Economy and International Relations. The subject "Tasks of the Criticism of Anti-Marxist Economic Theories Under the Conditions of the Current Ideological Struggle of the Two Systems" was put forward for discussion.

The meeting was opened by Academician A. Rumyantsev, chairman of the scientific council. He emphasized that the work of the session would be devoted to a splendid date in the history of the Soviet people and all progressive mankind--the 60th jubilee of the formation of the USSR.

Bourgeois propaganda, A. Rumyantsev continued, is endeavoring with all its might to belittle the historic significance of the tremendous achievements of the Soviet state and the successes of the world socialist system and attempting to discredit and weaken the magnetic force of the ideas and practice of real socialism. The exacerbation of the ideological struggle in the international arena embraces all spheres of theory and practice, including and far from least political economy. Aggressive Marxist criticism of bourgeois political economy concepts acquires particular urgency in this connection.

A. Rumyantsev observed that paramount significance is attached to the extensive illustration of the concrete achievements of the economy of the USSR and the socialist community countries for exposing the falsity of the propaganda of our class enemies. The main result of the Soviet Union's sociopolitical and economic development in the 60 years of its existence was the building of the society of mature socialism and the creation of the socialist state of all the people.

The further intensification of the general crisis of the capitalist system, which has extended to all spheres of the life of bourgeois society, is manifested in particular relief against the background of the achievements of the world socialist system. It is precisely the incapacity for solving the growing economic, social and political problems which is prompting bourgeois scholars and politicians to discredit the experience and successes of the socialist countries. A. Rumyantsev called on the participants in the session and all Soviet political economists to step up their contribution to the cause of the scientific analysis and party criticism of bourgeois economic science.

A paper on the subject "Regularities of the Competition of the Two Systems and Problems of the Criticism of Bourgeois Political Economy" was delivered by Academician A. Mileykovskiy, deputy chairman of the scientific council (USSR Academy of Sciences Institute of World Economy and International Relations). He dwelt on the ideological aspects of the bourgeois theories connected with the strategy of the competition of the two systems and also on the role of bourgeois political economy in the creation of the economic and political doctrines of imperialism. The speaker emphasized that currently bourgeois political economy has stepped up its attacks on Marxist-Leninist theory as a whole and also on some of its most important theoretical propositions more than ever before.

Under these conditions an analysis of the role of bourgeois political economy in the development of the strategy of imperialism and the methods of state-monopoly regulation of the expanded reproduction of capital on a national and world scale becomes exceptionally important.

Lenin's proposition that capitalist contradictions are settled by way of crises in economics and war in politics is fully corroborated in the era of imperialism. This is inevitably reflected in the process of the competition of the two systems, that is, the form of class struggle where the paramount role belongs to socialism's economic competition with capitalism for the achievement of the highest social labor productivity. All preceding experience shows convincingly that in the competition with capitalism socialism has won a number of historic victories. The new correlation of forces between the USSR and the United States has fundamentally changed the world strategic situation, having increased the isolation of imperialism's most reactionary forces.

At the same time, despite the increased parasitical nature of monopoly capitalism and the conversion of military industry into the most profitable sector of the economy, it cannot be said that capitalism has reached the limit of the development of the production forces. It would be wrong to underestimate the significance of apologetic concepts for spiritual enslavement

and the efforts of bourgeois political economy in the development of doctrines and recommendations aimed at supporting capitalist production. As the positions of world socialism strengthen and the struggle of the working class for its liberation from the oppression of capital intensifies, the division of bourgeois political economy into two camps--conservative and reformist--can be observed increasingly distinctly.

The speaker made a retrospective analysis of the confrontation of the basic schools of bourgeois science (Keynesianism, the neoclassical school, post-Keynesianism, neo-Ricardianism and the institutional-social current), each of which aspires to strengthen the positions of capitalism. A. Mileykovskiy emphasized that the struggle between the supporters of this doctrine or the other for the right to determine the strategy of capitalism's "survival" is sharpening constantly.

In addition to internal political and internal economic life this rivalry is also reflected in the foreign policy sphere and expressed in the different approaches to the solution of the contradictions between the capitalist countries and positions on questions of trade-economic cooperation with the socialist camp.

The contradictions between the developed capitalist countries and the developing countries have reached unprecedented seriousness. Economic thought in the young states carries a certain anti-imperialist charge: it rejects the neoclassical prescriptions of development being foisted on it by the West and reflects increasingly the developing countries' endeavor to achieve stable and equal international relations.

In conclusion A. Mileykovskiy dwelt on certain questions of socialist economic integration, which serves as a dependable guarantee of socialism's successes in the economic competition of the two systems.

Doctor of Economic Sciences Yu. Ol'sevich (USSR Academy of Sciences Institute of Economics) paid the main attention to urgent problems of a critique of anti-Marxist economic concepts of socialism. The speaker expressed the opinion that the term "Sovietology" should be supplemented by the broader concept of "socialism studies".

An appreciable regrouping of forces has been observed in recent years within the framework of this sphere of bourgeois "research". The dominant position has been occupied by concepts reflecting the positions of the part of the monopoly bourgeoisie which denies the possibility of the peaceful coexistence of the two systems. The theory of the "general crisis" and "self-destruction" of world socialism has been advanced to the forefront. The "crisis" of socialism concept here is employed as an allegedly "scientific" substantiation of aggressive imperialist strategy. The far-fetched proposition concerning the "weakening" of the socialist economy is developed into such a fraudulent "conclusion" that the Soviet Union will seek a way to solve problems on the paths of external aggression. More, they preach the "expediency" of a rupture of commercial, credit and scientific-technical relations with the socialist countries and also mirages of the proximate "victory" over socialism as the result of its "ruin" under the weight of the arms race.



A guarantee of the efficacy of scientific criticism of the anti-Marxist economic concepts of socialism, Yu. Ol'sevich pointed out, is its strict purposefulness and sociopolitical specificity, for which it is essential to reveal in greater depth the interconnection of the methodology and theoretical content of the concepts being criticized with their sociopolitical roots on the one hand and practical prescriptions on the other.

The report of Doctor of Economic Sciences A. Granberg (USSR Academy of Sciences Siberian Department Institute of Economics and the Organization of Industrial Production) was devoted to a study of the regularities of the economic cooperation of the Soviet republics. Life, he emphasized, has convincingly corroborated the wisdom of Lenin's national policy.

Doctor of Philosophy Yu. Vasil'chuk (USSR Academy of Sciences Institute of the International Workers Movement) analyzed the ways of surmounting the influence which bourgeois political economy is exerting on the workers movement in the capitalist countries.

To effectively rebuff bourgeois theorists it is primarily necessary, the speaker believes, to consider that the subject of their attention is not confined merely to the sphere of production relations. The production forces are frequently independent and even "priority" subjects of study. Second, a number of theories reflects the large-scale social shifts connected with the development of different social strata and groups of the population. Finally, many researchers address themselves to the economic role of superstructural phenomena (the state, culture and so forth) in their interaction with the production forces, production relations and the society's social structure.

The aggregate of these theories constitutes a certain system whose basic elements reflect the actual outline of the relations of the capitalist social-economic formation. As a consequence, Yu. Vasil'chuk believes, concepts of the development of the production forces in the course of the scientific-technical revolution are actually the core of the entire modern apologetics of capitalism. Inasmuch as the working class is on the one hand society's main production force and, on the other, the main object of exploitation and oppression, concepts distorting the position, development and social role of this class form the nucleus of the entire mythology of modern capitalism. This systemic approach and the separation of the fundamentals of the theories in question make it possible to determine the lines of their scientific criticism.

Whereas the very essence of the scientific-technical revolution in the sphere of the production forces is a giant step forward not so much of equipment and technology as of the very aggregate of producer and consumer in its social form of the working class, the dialectics of the development of this class is a most important initial theoretical proposition and the highest criterion of the scientific nature and veritability of this theory or the other. Proceeding from this, the speaker analyzed the various concepts of bourgeois political economy and highlighted the main currents--the conservative, liberal-democratic and social-reformist and also the technocratic.

They are all directly or indirectly aimed against the Marxist-Leninist teaching on the working class, and for this reason just the clear and

conclusive contrast to them of the teaching of proletarian political economy undermines these theories' influence. Together with this there is also such a form of the exposure of bourgeois theories as the various democratic alternative economic development programs which have become widespread recently.

Doctor of Economic Sciences V. Shemyatenkov's report touched on the problem of the use of conservative theories in the practice of economic relations of countries with different social systems. The foreign economic policy of the capitalist states with respect to the socialist countries, the speaker observed, represents a component of the general class strategy of imperialism. For this reason commercial-economic relations inevitably reflect the alignment of class forces and the world political situation. Thus under the conditions of the exacerbation of the ideological and political struggle certain circles in the West are developing increasingly extensively the concept of economic war against the socialist countries, primarily the Soviet Union. They are attempting to counterpose it to the policy of detente and the expansion of mutually profitable foreign economic exchange.

The economic warfare concepts, whatever the situational considerations of individual politicians which dictate it, has its own theoretical roots. The key element of this doctrine is the idea of the onset of a new stage of the scientific-technical revolution. The theorists of a rupture of economic relations with socialism proceed from the fact that state-monopoly capitalism is capable of monopolizing the latest achievements of the scientific-technical revolution and on this basis outdistancing socialism in economic and military-technical competition.

The propaganda support for this concept is utterly false. The hopes that the Soviet Union will remain aloof from the latest achievements of the scientific-technical revolution and that it will be possible to pursue in respect of it a "carrot and stick" policy are completely groundless. All attempts to limit the access of the USSR and the other socialist countries to Western technology by the implementation any sanctions whatever are undoubtedly doomed to fail.

Certain Western circles' abandonment of economic cooperation, which is the material basis of a relaxation of international tension, and the gamble on outright economic, political and military confrontation are inevitably increasing the danger of war being unleashed. This is why in the capitalist countries also cool heads are to be found which are calling not for a winding down but an expansion of cooperation with socialism. Their actions are dictated not only by the failure of economic sanctions and similar foreign economic adventures but also by the realization that they are only the first step in the unleashing of an economic war which is exacerbating the international political situation.

V. Shemyatenkov pointed to the objective contradiction between the development of capitalist production and the international division of labor, the basis of which is the deepening of the specialization and expansion of international trade. However, in the capitalist system of management this leads to a strengthening of imperialist trends in the economy and policy impeding the development of international exchange. On the one hand, as imperialism's

foreign policy relations expand, there is increased potential for attempts to put pressure on the socialist countries, but, on the other, internationalization makes sanctions a double-edged sword. Thus the real opportunities for arbitrariness in the foreign policy sphere on the part of individual short-sighted politicians are being constricted increasingly.

Trade-economic relations with the capitalist countries should be regarded as a form of class struggle and the economic competition of the two systems, and this should be taken into consideration in policy and practical work.

An evaluation of the current status of the theory and practice of state-monopoly regulation predominantly in the example of the United States was made by Doctor of Economic Sciences Yu. Bobrakov (USSR Academy of Sciences Institute of Present-Day Capitalism).

Whereas the 1929-1933 "Great Depression" was an expression of the crisis of the economic mechanism of monopoly capitalism, now, Yu. Bobrakov emphasized, we may with complete justification speak of the failure of the mechanism of the entire system of state-monopoly regulation of the economy, and of both the theoretical postulates and practical embodiment, furthermore.

An important feature thereof is the disintegration of the theory and practice of state-monopoly regulation. In addition, both theory and practice are departing increasingly from conceptuality and switching to pragmatism, which can be clearly traced in the example of the economic policy of the R. Reagan administration. The theoretical platform of the policy of the present U.S. Administration, so-called Reaganomics, is extraordinarily eclectic. It represents a mixture of individual propositions of Keynesianism, monetarism and "supply-side economics," and its practical application, furthermore, exists more in words than in practice.

The crisis of the theory and practice of state-monopoly regulation is characterized by bourgeois scholars' endeavor to find simple answers to complex socioeconomic questions. An example of this is the attempt to explain the deterioration in the conditions of capitalist reproduction merely by the inadequately considered economic policy of the state. The social aim of such theoretical constructions is, together with a critique of the flaws of state-monopoly regulation, to also cast a shadow on the state centralized planning of the Soviet Union and the other socialist countries.

Doctor of Economic Sciences V. Kollontay (USSR Academy of Sciences Institute of World Economy and International Relations) dwelt on a new direction in Western economic thought which has yet to be sufficiently illustrated in our literature. It integrates disconnected ideological streams: criticism of industrial society, alternative development theories, countersociety concepts and others. They are all formed in a new area of ideological struggle and are connected with the fact that social consciousness in the capitalist countries is currently increasingly critical of the ideas declared by official bourgeois science. A new system of ideas, as it were, which do not concur with the imposed doctrines, is emerging in broad strata of the population.

The fact that the said theories emerged to a considerable extent under the influence of the crises of the 1970's stands out particularly. The exacerbation of the problem of the environment, the intensification of the problem of alienation of the individual in bourgeois society, the growing inefficiency of capitalist production, the rapacious activity of the transnational corporations and so forth contributed to their formation. Ever increasing points of contact came to be discovered among these seemingly disconnected directions, and a common interconnected ideological platform based on criticism of the entire capitalist system as a whole and not only the impotence of state-monopoly regulation began to take shape. This requires of Marxist scholars a balanced approach to a study of the currents taking shape, which encompass the broadest democratic strata of the population.

Doctor of Economic Sciences I. Kirtovskiy (Latvian SSR Academy of Sciences Institute of Economics), the chairman of the Baltic branch of the scientific council, drew the attention of those present to the fact that Marxist criticism of contemporary bourgeois political economy should fittingly repudiate the distortions of the theory and practice of socialism which emanate from emigre centers in the West. Particular importance is attached to the struggle against them in connection with the attempts via every conceivable propaganda channel to convey them to a Soviet audience.

The emigre concepts of socialism have the same roots as the main directions of bourgeois economic science and differ only in the specific subject of analysis. Attempts to prove the alleged disadvantageousness of the economic cooperation of the union republics are their ultimate goal. The proposition concerning the alleged inequality of economic mutual relations is circulated primarily.

Soviet scholars' aggressive criticism of the far-fetched arguments of emigre theorists and the exposure of the antisocialist essence of their constructions are essential in this connection. The need to organize a constant interrepublic exchange of experience and the unification of the efforts of scholars of all the Soviet republics engaged in criticism of emigre concepts of socialism stands on the agenda.

The speech of Doctor of Economic Sciences I. Dvorkin (USSR Academy of Sciences Institute of Economics) contained the thought that there is still not complete clarity in the question of bourgeois theories of the scientific-technical revolution in Soviet economic science. He expressed the opinion that the theories of the scientific-technical revolution are attributable not to the socio-institutional but rather to the technological field, a singularity of which is the separation and determination of all categories of political economy from technical development. In addition, the very separation of the socio-institutional field in bourgeois economic science, which is firmly established in Soviet literature, is, according to I. Dvorkin's viewpoint, wrong.

I. Dvorkin called for a specification of the characterization of the leading currents of bourgeois political economy thought. He emphasized that the separation of the technological field as independent by no means signifies that only methodological differences are made the basis of the classification. It is also tied in with the change in the phases of development of social production and the stages of class struggle.

The time has come, the speaker said, to embark on criticism of the theories of the scientific-technical revolution in their entirety. By virtue of the fact that these theories directly concern questions of the driving forces and goals of the development of technology and society as a whole, they have direct outlets into such urgent problems as, for example, militarization of the economy and others.

The report of Candidate of Economic Sciences V. Maksimova (Moscow Economics-Statistics Institute) contained a description of new processes in "economics," that is, the leading economic discipline of the higher educational institutions of the capitalist countries. Economics, like other bourgeois sciences also, is endeavoring to adapt to the practical and ideological needs of state-monopoly capitalism. All means are set in motion here. Thus a subsection on Marxism has been incorporated in instructional aids for the economics course since the mid-1970's under the influence of the increased interest in the West in K. Marx's theoretical legacy. However, economic Marxist thought is presented in emasculated form, merely as a school of political economy.

V. Maksimova criticized the methodology of bourgeois economic science, particularly the so-called "positive" and "normative" approaches. The supporters of both schools, the speaker observed, are characterized by a denial of the social-class content of economic processes and the ascertainment not of deep-lying causal-investigatory relations but merely of technical-economic relations. This permits them in their theoretical constructions to gloss over the contradictions of capitalism. In conclusion she emphasized the expediency of a critical analysis not of individual concepts of the economics' educational courses but of all bourgeois economic science, which claims to provide a picture of the modern world which is integral and in conformity with reality.

Doctor of Economic Sciences S. Yakovleva (Leningrad State University) dwelt on the tasks of teaching a course of criticism of bourgeois political economy in the Soviet higher school. Exposure of bourgeois ideology in the course of the educational process, she said, is of particular importance inasmuch as this course plays an essential part in shaping the youth's communist world outlook. The efficacy and cogency of criticism require of the lecturer extended study of bourgeois theories.

The speech of Candidate of Economic Sciences A. Khudokormov (Moscow State University) was devoted to problems of criticism of revisionism, where, he believes, there is certain unfinished work in Soviet economic science.

As distinct from the "socialism experts," who are close to them in spirit, the revisionists frequently emphasize attention to the highest tier of requirements--spiritual culture--which are allegedly insufficiently satisfied or not satisfied at all under the conditions of real socialism, which serves as the point of departure for far-reaching conclusions designed to discredit our country. In this connection A. Khudokormov expressed the belief that criticism of the revisionist concepts of socialism should not be confined merely to a demonstration of the advantages and successes in economic development inherent in socialism. Together with this it is essential to actively

propagandize the achievements in the sphere of the formation of the socialist way of life. It is necessary to actively and extensively illustrate the working people's participation in the running of the state and society, the right to the highest achievements of culture bestowed by socialism and the right to freedom of the personality.

Doctor of Economic Sciences Ye. Konovalov (USSR Academy of Sciences Institute of the Far East), Doctor of Economic Sciences S. Pervushin (USSR Academy of Sciences Institute of Scientific Information on the Social Sciences) and Candidate of Economic Sciences V. Khalturina (RSFSR Ministry of Higher and Secondary Specialized Education Head Council for Political Economy) also participated in discussion of the issues raised.

The USSR Academy of Sciences Scientific Council adopted the decision to publish a collection of the material of the session. The opinion was expressed concerning the need for the preparation of a fundamental publication on criticism of modern bourgeois and revisionist theories which would collate the latest achievements of Soviet scholars in this field of Marxist-Leninist analysis.

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